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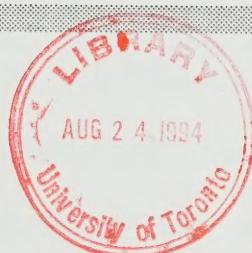


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Report 47

(1)

A REPORT TO THE  
**MINISTRY OF INDUSTRY, TRADE AND  
TECHNOLOGY OF ONTARIO**  
**EVALUATION OF THE STUDENT  
VENTURE PROGRAM**



*Submitted by:*

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*November 1991*

*91052*



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1987-1990



## **EXECUTIVE SUMMARY**

### **1.0 BACKGROUND**

#### **1.1 The Student Venture Program**

Since 1973 the Student Venture program has been developing and encouraging entrepreneurial activity among young people in Ontario by providing start-up capital loans of up to \$3000 to assist students to start and operate a summer business. The objectives of the program are:

- to promote entrepreneurship and small business ownership as a viable career option;
- to provide access to business financing not normally available to young people due to age, lack of experience, stability, and collateral security; and
- to assist in the development of entrepreneurial skills.

The loan is interest free for the period of April 1 to September 30 and full loan repayment is required by the September 30 deadline.

Typical kinds of summer businesses operated by Student Venture clients include:

- home improvement services such as house painting, landscaping, deck building etc.
- agricultural ventures such as raising livestock through the summer for sale in the fall; and
- producing and selling products such as painted t-shirts or jewellery.



## **1.2 Study Background and Methodology**

This report presents the results of an evaluation of the Student Venture program. The evaluation assesses the impacts of the program in achieving its objectives and provides recommendations on how the program might be improved.

The results of the evaluation are based on findings from a review of program documentation; a telephone survey of a random sample of Student Venture participants; and interviews with representatives from Chambers of Commerce, the Royal Bank, the Ontario secondary school system, and MITT.

## **2.0 OVERALL PROGRAM ACTIVITY**

Over the five year period from 1987 to 1991 the Student Venture program received an average of 1086 applications and guaranteed an average of 974 loans per year. Program activity has declined over its last three years of operation, from a high of over 1300 applications in 1988, to the 1991 level of 848.

The average cost per venture (excluding staff salaries and direct operating expenses related to office overhead and printing) is \$573.

The default rate, expressed as the percentage of unrepaid principal outstanding at December 31 of the loan year, has remained relatively stable. Over the past four years, an average of 83.3 percent of students repaid their loan by the September 30 deadline. Of those who originally defaulted on the repayment of their loans, 70 percent eventually repaid the amount owing.



### **3.0 STUDENT VENTURE PROGRAM IMPACTS**

The vast majority of clients of the Student Venture program found the experience they gained through their involvement with the program to be invaluable; all but two persons interviewed would recommend the program to a friend wanting to start a business.

Both the participants and the franchisers that were involved with them reported that they had acquired self-confidence, a great sense of accomplishment, and self reliance as a result of their Student Venture experience. They reported having learned a range of business skills including customer relations, accounting, supervisory skills and time management, organizational skills, money management, interpersonal skills, and business planning.

Based on estimates provided by the students, the average student venture earns \$27000 in revenue, and nets \$5600 in profit over its summer operation.

In terms of job creation, on the basis of survey results, each business created an average of 3.28 full-time positions plus 1.24 part-time positions (owner/operator included) over its summer operation.

Among the whole group of participants, 68 percent felt that their involvement with Student Venture had made them more likely to start a business. Of those who participated in the program prior to 1991, 38 percent have gone into business for themselves; and despite the recession, 96 of these businesses (81 percent) are still going concerns.



## **4.0 ISSUES AND RECOMMENDATIONS**

### **4.1 Program Delivery Issues**

#### **Decline in Program Applications**

Despite the apparent benefits to participants, the number of applications to the Student Venture program has declined over the past three years. This was identified by the Ministry as a matter of concern. Persons associated with the program attributed the decline to a combination of external and internal factors. Externally, the decrease reflects the overall reduction in the population of youth aged 15-24 in Ontario, combined with the effects of the current economic recession. Internally, cost-cutting measures implemented by the Ministry led to decisions to cut back on the number of on-site visits by Ministry staff and to cease print advertising (eg. transit ads). This has exacerbated the decline. In addition, in the 1991 fiscal year, a new policy was implemented which restricted the number of overall applications from franchises of each approved type that would be accepted. This policy has had a noticeable affect on the overall numbers for the current fiscal year.

A related issue concerns the effectiveness of the current public relations program. Despite extensive distribution of program materials to Chambers of Commerce and key representatives within the education system throughout the province, the information does not appear to be reaching sufficient numbers of either students or those within the system who can encourage them to participate in the program.

Given the current economic climate and the volume of work and other distractions in Chambers of Commerce and the education system, a higher level of marketing effort will be required to encourage participation by larger numbers of students.



## Recommendation

In order to increase application rates, it is recommended that the Ministry:

- allocate more resources to marketing the Student Venture program; and
- offer the program on a year-round basis, on a semester system as an alternative to the summer months, and should examine the feasibility of offering Student Venture as an alternative to co-op placement.

As part of the public relations strategy, efforts should be directed towards:

- developing a public relations strategy to raise the profile of the program; e.g. revitalization of current materials; a bursary program offering a scholarship to the most successful Student Venture student; increased use of advertising at the local level, e.g. transit ads, school and community media, etc.
- developing a network of local resources such as Self-Help Centres, school boards, Centres of Entrepreneurship, and student business clubs to assume responsibility for promoting the program, and ensuring the materials reach students and front-line teachers; and
- wider publication of "success stories" and greater involvement of past participants in promoting the program to potential applicants.

## **Allocation of Staff Resources**

The Student Venture program has undergone a substantial amount of streamlining in recent years. At this point, the remaining staff are overworked during peak periods, and both approval turnaround times and the program marketing effort have suffered somewhat from the staff reductions. Staff cannot be reallocated (eg. to marketing and public relations initiatives) or further reduced without decreasing program activity or reducing the amount



of monitoring and control the staff now exercises over application approval and project monitoring.

In recognition of these constraints, if the Ministry is not prepared to add resources to support the need for increased marketing effort, it may wish to consider reallocating resources currently expended in the review and approval of program applications. It should be noted, however, that there is a risk of potential abuse and embarrassment associated with relinquishing the current amount of control over project approvals currently exercised by the program.

### Recommendation

Explore the implications and potential savings to be derived from:

- transferring responsibility for completing the rating form to Chamber of Commerce representatives; and
- the Ministry reviewing only a sample of Student Venture applications.

### **Earlier Application Review and Approval**

The Chambers of Commerce are hard pressed to complete application reviews during the last minute crunch that occurs in May and June; and student ventures would benefit from a longer operating time to enhance the profitability of their businesses.

### Recommendation

The Ministry should:

- adopt measures to shift the application review and approval process ahead as early as possible by distributing applications and information packages by November and establishing an April deadline for



applications from university and college students. The June deadline would remain for applications from high school students.

## 4.2 Program Design Issues

### Need for Mentoring at the Local Level

In operating their ventures, students frequently encounter obstacles that they don't know how to deal with, but they are reluctant to contact the Ministry for help. The students surveyed identified (as an unsolicited response) the need for a local mentor: someone from the business community who would maintain contact and provide advice to the student throughout the venture. Chamber of Commerce representatives also identified such a need.

### Recommendation

The Chambers are willing to operate such a program through their members, given that they could not be held liable for business failures. The Ministry should:

- examine the legal implications of such a relationship, and take steps to protect those in the mentor role: and
- implement a pilot project to test the feasibility and effectiveness of operating a mentoring program through the Chambers of Commerce.

### The Interest-free Feature

Since a sizeable portion of the cost per venture is the interest on the loan paid by the Ministry on behalf of the student, the question was raised as to whether the cost of the program could be saved through eliminating this feature. It was found that eliminating this feature would reduce the number of program applications, and that the administrative cost of collecting interest would exceed the amounts that could be collected.



## Recommendation

It is recommended that:

- the program continue to offer the loan on an interest-free basis.

## **The Maximum Loan Amount**

Two-thirds of borrowers access other sources of financing to support their student venture; therefore consideration was given as to whether \$3000 was sufficient as the maximum loan amount. Based on past program statistics, increasing the loan amount would increase both the program costs and the default rate; and the vast majority of borrowers thought it was adequate.

## Recommendation

- The maximum loan amount should be maintained at \$3000.

## **Franchises**

Franchises are a legitimate form of business, and in many cases, they yielded higher overall revenues and profit margins, and employed more people than did non-franchise ventures. However, there is a great deal of concern about potential exploitation of students by franchisers, in the form of aggressive marketing, high franchise fees, and unrealistic sales quotas.

## Recommendation

The Ministry should continue with its current policy of:



- setting limits on the total number of franchises of approved types; and
- offering on-campus information seminars that identify some potential pitfalls of franchise agreements.

The Chambers of Commerce have made a number of additional recommendations for further policies to be implemented with regard to franchises. The legal implications of these recommendations should be examined.

### **Agricultural Ventures**

There is a concern that many agricultural ventures are not sufficiently independent of students' parents. Livestock ventures are particularly suspect, since the student must necessarily depend upon farm resources in order to operate their venture. There is also a question of how much repeat borrowers can learn about business through raising livestock more than two or three years in a row. Agricultural ventures offer opportunities for learning business skills unique to agri-business and are better risks for loan repayment.

### **Recommendations**

In light of the factors outlined above, agricultural ventures should remain eligible for Student Venture loans. However:

- applications should be carefully screened for independence;
- those applicants who are involved with a 4-H club should be favoured over those who are not; and
- The Ministry should examine the feasibility of involving the Ontario Ministry of Agriculture and Food (OMAF) in a partnership arrangement to deal with agricultural ventures.



## **Eligibility of Repeat Borrowers**

A growing proportion of program participants are repeat borrowers; currently they comprise about one-quarter of Student Venture Participants. There is concern that repeaters may reduce opportunities for new applicants to participate in the program.

### Recommendation

- If program demand increases dramatically, franchises and agricultural ventures should be limited to a maximum of three years for the same business (eg. painting, livestock, etc.).

## **Credit Rating for Student Venture Borrowers**

A number of successful borrowers said they were dismayed to discover that their Student Venture loan had not established a credit rating for them. The largest obstacle is expense; it costs about \$25 in administrative fees to register loan results with the credit bureau.

### Recommendation

- A letter be sent to successful borrowers after they have repaid the loan, advising them that, if they wish to pay the administration fee, they can have their credit history registered.

## **5.0 CONCLUSIONS**

The evidence suggests that the Student Venture program has achieved its objectives. The program has produced significant impacts in terms of job creation, teaching business skills, instilling self-confidence in participants, and facilitating the creation of new business



ventures. Assuming that the priorities of government include these objectives, the program should be continued, preferably with incorporation of the recommendations outlined above.



## **1.0 INTRODUCTION**

### **1.1 Program Background**

The Student Venture program has been in operation since 1973. The program provides start-up capital loans of up to \$3000 to students aged 15 and older who are returning to school in the fall and wish to start and operate a summer business. This clientele for reasons of age, business experience, lack of credit history and/or financial limitations have limited access to business financing. The loan is interest free for the period of April 1 to September 30 and full loan repayment is required by the September 30 deadline.

The program was operated by the Ministry of Skills Development (MSD) from 1981 until April 1, 1990 when it was transferred to the Ministry of Industry, Trade and Technology (MITT). Since 1981, more than 8000 summer businesses have been financed.

The program is co-sponsored by the Ontario Chamber of Commerce and its local Chambers/Banks of Trade and the Royal Bank of Canada. The local Chambers/Banks interview interested program applicants and recommend to the Ministry their decisions on the viability of proposals. The Ministry makes the final decision. The Royal Bank, through its local branches, disburses the loans at the request of the Ministry and collects the loan payments.

### **1.2 Program Mandate**

The mandate of the Student Venture program is to develop and encourage entrepreneurial activity among young people in Ontario by:

- promoting entrepreneurship and small business ownership as a viable career option;



- providing access to business financing not normally available to young people due to age, lack of experience, stability, and collateral security; and
- assisting in the development of entrepreneurial skills through educational and follow-up methods with participants, thereby preventing the major cause of business failure-poor planning and management.

### **1.3 Objectives of the Study**

The objective of this evaluation study was "to review the Student Venture program in order to assess its effectiveness and value and to determine the future directions of the program."

This report is intended to reveal the results of the program, its success in meeting original objectives; and possible future directions including options such as expansion, sunsetting, or altering the design of the program.



## **2.0 APPROACH AND METHODOLOGY**

The study was conducted under the supervision of a project steering committee, and was carried out in three phases:

- Phase 1 - Evaluation Study Design
- Phase 2 - Data Gathering
- Phase 3 - Data Analysis and Report Writing

The methodology involved in completing each of these phases is described in the sections below.

### **2.1 Evaluation Study Design**

Phase 1 commenced with a meeting with the project steering committee to finalize administrative arrangements, and obtain documentation and data required for the study.

#### **Review of Program Documentation**

The Coordinator of Youth Startup Capital provided the study team with a series of documents containing information on program background, statistics from 1981 to date, organization structure, policies and procedures, etc. A review of this documentation provided the study team with an overview of the program, and a sense of the various program trends, issues and administrative changes that have occurred over the recent history of Student Venture operations.



## **Development of Evaluation Design**

On the basis of the terms of reference, discussions with the steering committee, and the results of the documentation review, the study team developed a detailed evaluation framework which outlined the major evaluation issues; the questions to be addressed in the study; and the measures and indicators and data sources to be used for addressing each.

The evaluation framework was used as a guide for developing survey questionnaires for Student Venture program participants and the interview protocols for use with the various groups of participants in the interview program.

The study team was provided with lists of representatives from various groups to participate in the interview program including:

- Chambers of Commerce/Boards of Trade;
- School Boards and teachers;
- Franchisers and 4-H Clubs; and
- MITT managers and Student Venture program staff (current and former).

In-person interviews were scheduled with identified representatives from each of the above groups.

The evaluation design culminated in a design report which was reviewed by the steering committee. The elements included:

- the evaluation framework;
- the survey questionnaire;



- the interview protocols;
- the schedule of site visits for in-person interviews; and
- the criteria for selection of the survey sample.

## **2.2 Data Gathering**

### **Survey of Program Participants**

In order to obtain data on the impact that Student Venture had on program participants, it was decided that the sample of borrowers should include recipients from as far back as 1981. The total sample was drawn from three time periods:

- 1990-1991
- 1987-1989
- 1981-1986

A database was available from which a sample could be drawn for 1987 through 1991. For each of the two most recent designated time periods, the study team drew a random sample of 340 names of borrowers who had paid back their loans on time, plus an additional 50 names of those who had defaulted on their loan repayment. Borrowers from these years who had defaulted on their loans were sent a letter from the Ministry explaining the purpose of the study.

Data from the earlier years were more difficult to obtain. The required data were in storage in the provincial archives; and not all the files from the years in question were accessible. However, in the end, a random sample of 309 records was drawn for the years 1981 through 1987, which included both those who had repaid their loan by the September 30 deadline, and those who had defaulted on their repayment.



The survey was conducted by telephone during the month of July. Since the borrowers from the earliest years were hardest to reach, the number of completed interviews was smaller for that group. More interviews were completed from the 1987-89 group to make up the difference. A total of 1,040 calls were made to complete 350 interviews for the sample: an overall average of about three calls per completed interview.

The table below shows the number of completed surveys of each type for each grouping of years.

Sample Profile of Completed Telephone Surveys of SV Borrowers			
Years	Repaid Loan by Sept. 30	Defaulted on Repayment	Total
1990 - 1991	100	20	120
1987 - 1989	145	20	165
1981 - 1986	55	10	65
<b>Total</b>	<b>300</b>	<b>50</b>	<b>350</b>

The overall total sample is statistically significant, and is generally representative of the characteristics of the overall population. A profile of sample characteristics is provided in Chapter 3. The results of the telephone survey are discussed in Chapter 4 of this report.

### **Interviews with Program Partners**

Twelve sites were selected from across the six regions at which representatives from Chambers of Commerce/Bords of Trade were interviewed. At each site, the interviewees selected were those who were responsible for reviewing Student Venture program applications and interviewing students to assess their suitability for the venture. At those sites where the Royal Bank carries out this function, the persons involved were interviewed. The Assistant General Manager of the Ontario Chamber of Commerce was included among



the interviewees. In addition, the directors of the two largest franchiser companies and a leader of a 4-H Club were also interviewed as part of the study. A list of interviewees is provided in Appendix A.

The interviews focused on a discussion of program partners' experiences with the program, and suggestions for options to improve program effectiveness. The results of the interviews are discussed in Chapter 7 of this report.

### **Survey of Teachers/School Board Representatives**

The Ministry provided the study team with a list of 34 names of teachers and representatives from School Boards to be interviewed by telephone during the first two weeks of September. The study team was able to contact 24 representatives on the list. Ten were unable to be interviewed due to illness, difficulties in their schedules, or because they had moved.

Of the 24 persons contacted, only 15 felt they had adequate acquaintance with the Student Venture program and/or the entrepreneurship curriculum to be able to comment meaningfully. The remainder declined.

The interviewees were asked to comment on ways in which the Student Venture program and the secondary school entrepreneurship studies program could be structured to enhance one another.

The list of persons interviewed is included in Appendix A. The results of interviews are discussed in Chapter 6 of this report.



## **Interviews with Ministry Representatives**

The study team conducted in-person interviews with MITT staff involved in the management and delivery of the Student Venture program. In addition, personnel responsible for the program while it was under the jurisdiction of the Ministry of Skills Development were interviewed. A list of interviewees is included in Appendix A.



### **3.0 PROFILE OF THE STUDENT VENTURE PROGRAM**

#### **3.1 Overall Program Activity**

From 1987 to 1990 the Student Venture program received 4580 applications and guaranteed 4105 loans. Over the four year period, the program averaged 1145 applications and 1026 loans per year.

The following table provides a summary of the overall program activity from 1986 to present.

<b>Year</b>	<b>No. of Applications</b>	<b>No. of Loans</b>
1991	848	764
1990	936	866
1989	1058	943
1988	1321	1195
1987	1265	1101
1986	1015	862

As the table shows, the program hit a high of over 1300 applications in 1988, and has declined somewhat from then to the present level of 732. The reasons given for the drop in applications are:

- cessation of print advertising;
- fewer visits due to realignment of program priorities;
- the impacts of the economic recession; and



- a decline in the population of youth aged 15-24 in Ontario.

In addition, in the 1991 fiscal year, a new policy was implemented which restricted the number of overall applications from franchises of each approved type that would be accepted. This policy has had a noticeable affect on the overall numbers for the current fiscal year.

The general lack of activity in small business by youth is also reflected in the number of calls to the youth hotline, which have also decreased proportionately.

The managers of the Student Venture program would like to increase the overall levels to about 1,000, but not by loosening the restrictions on franchises. It is anticipated that as the entrepreneurship studies curriculum is introduced more widely in Ontario High schools, its impacts will lead to an increased interest in the Student Venture program from the high school sector. To date, however this does not appear to have happened; the proportion of applications from high schools has not changed substantially from years predating the curriculum.

The vast majority of Chamber of Commerce representatives indicated that the program needs to improve its marketing efforts at the community level and in the classroom. This opinion was substantiated by both the teachers and students interviewed.

### **3.2 Profile of Student Venture Borrowers**

The following provides a profile of the students who operated businesses with the help of the Student Venture program from 1987 through 1990. The Student Venture statistical summary on which these averages are based is provided in Appendix B.



## **Region**

The businesses were distributed throughout the province as follows:

Regions	%
Central	34.2
Southwest	25.2
Toronto	18.2
East	15.0
Northeast	6.3
Northwest	0.2

The proportion of borrowers from the northern regions is small compared with other regions. Given that only seven percent of the overall population under 24 years of age lives in northern Ontario, the proportion of borrowers from the northeast is not surprising. However the number of borrowers from the northwest appears to be relatively low. Chamber representatives from Thunder Bay identified a decrease in the overall marketing effort in recent years; however, the proportion of applications from the northwest has not risen above two percent at any time over the past decade. This suggests that the marketing effort is not the only factor influencing the low response rate from the northwestern region.

## **Gender**

Of the total borrowers, an overall average of 85 percent are male, and 15 percent are female. This proportion has remained constant throughout the past decade of program operations.



## **Age**

The relative distribution of age groupings of program participants has also remained relatively constant throughout the last 10 years. The four-year average is:

<b>Age</b>	<b>%</b>
15-19	40.5
20-24	54.8
25-29	3.3
30+	1.3

## **Education**

The average proportion of participants from the various types of educational institutions are as follows:

<b>Education</b>	<b>%</b>
High School	28.8%
Community College	10.2%
University	61.0%

The proportion of participants from universities has shown a constant increase over the past decade from 46.8 percent in 1983 to 63.9 percent in 1990. During the same period, the proportions from high schools and colleges have decreased by 9.1 percent and 8.0 percent respectively.

Since the age of participants is not increasing, the change suggests that the program is being marketed more aggressively on university campuses than within other educational



institutions. For example, job fairs are directed towards university students in business programs; and franchisers tend to recruit student managers on university campuses (see Section 4.1 p.17).

### **Income Level of Parents**

The perception of MITT staff and Chamber of Commerce representatives was that most users of the Student Venture program are from middle-class or upper middle class homes. The study findings substantiated this perception. The survey produced the following findings in response to a question about the annual income level of their parents:

Mean	\$ 67,112
Median	\$ 60,000

However, it should be noted that, for several reasons, the average family income of Student Venture participants cannot be compared with validity to the average household income for Ontario as a whole. The vast majority of students are from urban families, a disproportionate number of which earn two incomes. In addition, the parents of student venture participants fall within the age group of persons in their highest income earning years.

### **Business Type**

The table below provides a four year average distribution of Student Ventures by business type:



Business Type	%
Service	68.9
Agriculture	18.3
Retail	10.2
Manufacturing	2.6

While the proportion of agricultural ventures has dropped slightly from 23 percent in 1984 to 19 percent in 1990, the proportion of retail ventures has decreased substantially during the same period, from 22 percent in 1984 to seven percent in 1990. At the same time, the proportion of service businesses has increased from 55 percent in 1984 to 73 percent in 1990 - an increase of 18 percent over a seven year period. This change in the proportion of businesses reflects the shift away from agricultural and toward the service sector that has occurred in the economy as a whole.

### **3.3 Student Venture Program Operational Statistics**

Some of the key operational indicators for the Student Venture program taken from annual statistics are shown in Exhibit 3.1 for years 1986 through 1990.

The program has exhibited noticeable stability in its ongoing operations during the period shown. The average cost per venture reached a low of \$493 in 1989 when the total number of businesses exceeded 1100.

If average cost per venture is the cost of the interest paid on behalf of students, the bank charge and the cost of principal outstanding at December 31. It excludes direct operating expenses (DOE) such as staff salaries, printing costs and office administration expenses.



**EXHIBIT 3.1: KEY STUDENT VENTURE STATISTICS**

<b>SV PROGRAM STATISTICS</b>	<b>1990</b>	<b>1989</b>	<b>1988</b>	<b>1987</b>	<b>1986</b>
No. of Businesses	866	1132	1412	1101	862
Average Loan Amount	\$2874	\$2842	\$2758	\$2700	\$1872
Total Principal Advanced (in thousands)	\$2489.0	\$2679.6	\$3362.9	\$3036.8	\$1617.5
Percentage of Principal Outstanding on Dec. 31*	16.8%	15.0%	17.8%	17.3%	14.2%
Total Program Costs (in thousands)	\$586.5	\$558.3	\$812.4	\$688.4	\$500.4
<b>AVERAGE COST PER VENTURE</b>	<b>\$596</b>	<b>\$493</b>	<b>\$575</b>	<b>\$626</b>	<b>\$580.5</b>

\* THE PROGRAM DEFAULT RATE IS EXPRESSED AS THE PERCENTAGE OF UNREPAID PRINCIPAL OUTSTANDING AT DECEMBER 31.



Although the program has been successful in controlling operational costs since that time, the decrease in the number of applications has resulted in a general increase in the average cost per venture.

It should be noted that, on the basis of the survey of borrowers, approximately 70 percent of borrowers who were originally defaulting on their loans eventually repaid the amount owing. This is not reflected in the average cost per venture.

The program default rate has also been relatively stable, ranging from a low of 14.2 percent in 1986 to a high of 17.8 percent in 1988. One of the factors accounting for this variation is the difference in the maximum loan amount, which was increased from \$2000 to \$3000 in 1987. The default rate showed an overall average increase of about two percentage points in that year; since that time, it has averaged about 16 percent.

Given the stability of the program, there is no reason to believe that the default rate will change as long as the maximum loan amount is kept at \$3000. It is anticipated that raising the loan amount would increase the default rate by one to two percentage points for each \$1000 increase in the principal.

### **3.4 Profile of Student Venture Borrower Survey Sample**

Exhibit 3.2 provides an overview of the profile of Student Venture borrowers who participated in the telephone survey conducted as part of the evaluation. For comparison, the exhibit also provides the four year averages for the program population.

As the exhibit shows, the survey sample was generally representative of the profile of the Student Venture program population.

Exhibit 3.3 provides a profile of the Student Venture businesses represented in the survey. Almost one-half of the businesses involved some type of home maintenance and



**EXHIBIT 3.2: PROFILE OF BORROWERS SURVEYED  
COMPARED TO POPULATION**

Borrower Characteristics	Survey Sample		Population (4-year average)	
	No.	%	No.	%
<b>REGION</b>				
Central	141	40.3	352	34.2
East	47	13.4	154	15.0
Northeast	22	6.3	64	6.2
Northwest	2	.6	9	0.2
Southwest	84	24.0	260	25.2
Toronto	54	15.4	188	18.2
<b>TOTAL</b>	350	100%	1026	100%
<b>GENDER</b>				
Male	299	85.4	1029	85.4
Female	51	14.6	176	14.6
<b>TOTAL</b>	350	100%	1205	100%
<b>AGE</b>				
15 - 19	179	51.1	488	40.5
20 - 24	164	46.8	661	54.8
25 - 29	6	1.7	40	33.3
30+	1	.4	16	1.3
<b>TOTAL</b>	350	100%	1205	100%
<b>EDUCATION</b>				
High School	128	36.6	348	28.8
Community College	19	5.4	123	10.2
University	203	58.0	731	61.0
<b>TOTAL</b>	350	100%	1205	100%



**EXHIBIT 3.3: PROFILE OF BUSINESSES SURVEYED**

	No.	%
<b>TYPE OF BUSINESS</b>		
Agricultural	74	21.1%
Manufacturing	15	4.3%
Retail	56	16.0%
Service	232	66.3%
Wholesale	4	1.1%
<b>NATURE OF BUSINESS</b>		
Student Painters	80	22.9%
Fence/Deck Building	16	4.6%
Lawn Care/Landscaping	43	12.3%
Livestock	55	15.7%
Window Cleaning	13	3.7%
Other	147	42.0%
<b>LEGAL STATUS OF BUSINESS</b>		
Sole Proprietorship	255	72.9%
Partnership	93	26.6%
Corporation	2	0.6%
<b>FRANCHISE</b>		
No	262	75.3%
Yes	86	24.7%
<b>REPEAT SV BORROWER</b>		
No	219	62.6%
Yes	131	37.4%
<b>TOTAL</b>	350	100%



construction; these businesses accounted for 66 percent of those in the "service" category. Of the 74 agricultural businesses surveyed, 74 percent involved the raising of livestock. Just over one-fourth of the businesses surveyed were partnerships; of the remainder, all but two (less one percent) were operated as sole proprietorships.

Twenty-five percent of the sample were franchises. This is slightly lower than the Student Venture population which has averaged about 30 percent over the past 3 years. The difference is the result of sampling from earlier years when franchises were a less popular business option.

Repeat users of Student Venture made up 37 percent of the total sample. The breakdown of the number of years repeat borrowers had used Student Venture is shown below:

Number of Years	#	%
2	83	63.4%
3	29	22.1%
4	14	10.7%
5	4	3.1%
8	1	.8%

As the table shows, more than two-thirds of the borrowers used the program more than twice. Ninety-one percent of repeat borrowers indicated that they used the Student Venture financing to operate the same type of business. Both students and Chamber of Commerce representatives pointed out the economic advantage of being able to build on business assets (e.g. equipment and supplies) from one year to the next.



## **4.0 BORROWERS EXPERIENCES WITH THE PROGRAM**

This chapter of the report provides an analysis of the results of the survey of users of the Student Venture program. The following sections focus on the experiences that they have had with the program, the results they have produced through Student Venture businesses, and the ways in which the experience with the program has influenced their career choices.

### **4.1 Prior to Applying for Student Venture**

#### **How Students Became Aware of the Student Venture Program**

Students were asked to recall how they first became aware of the Student Venture program. The responses are shown in Exhibit 4.1. The most frequently mentioned source was the counselling/placement office at the educational institution the student was attending; overall, 35 percent identified this as their first point of contact. This was even more likely to be the case with community college students, of whom 48 percent heard through the placement office.

Even so, many students felt the placement/guidance offices could have been more proactive in informing them of the existence of the program. A number of students actually felt their guidance counsellors had discouraged them from entering into a student venture.

Twenty percent of respondents overall heard through friends. Students who were in high school were more likely to be told about the program by relatives (usually parents) than were post secondary students.

University students were higher than average in the "other" category. The vast majority of these students stated that they had heard about the program from a franchiser that was recruiting participants on their university campus. Among university students, 20 percent



**EXHIBIT 4.1: HOW CLIENTS BECAME AWARE OF STUDENT VENTURE**

SOURCES	EDUCATION			TOTAL		
	HIGH SCHOOL		COMMUNITY COLLEGE	UNIVERSITY		
	NO.	%	NO.	%	NO.	%
Counselling/Employment Serv. at Ed. Inst.	48	37.5%	9	47.5%	64	31.5%
Friends	26	20.3%	2	10.5%	43	21.2%
Newspaper/Print Advertisement	12	9.4%	5	26.4%	32	15.8%
Other	4	3.1%	1	5.3%	42	20.7%
Relatives	23	18.0%	1	5.3%	6	3.0%
Radio/TV Advertisement	9	7.0%	1	5.3%	11	5.4%
Bank/Chamber of Commerce	6	4.7%			4	2.0%
Don't Know					1	0.5%
<b>TOTAL</b>	<b>128</b>	<b>100%</b>	<b>19</b>	<b>100%</b>	<b>203</b>	<b>100%</b>
					<b>350</b>	<b>100%</b>



heard about the program through franchises compared to three percent of high school students and five percent of college students.

### **Why Students Wanted to Enter into a Student Venture**

Exhibit 4.2 provides a breakdown of responses given by male and female clients regarding the motivation behind their applications to Student Venture.

Almost half of all respondents, regardless of their gender, applied because they wanted to gain experience in operating their own business. Another 21 percent felt they could make more money running their own business than at a job.

Of the remaining 30 percent, males were more likely to enter into a venture for the desire to be their own boss; whereas females were more likely to respond due to a lack of jobs or because they had a great idea that they thought would work.

About one-third of program participants had previous experience in the area in which they started their venture; this precipitated their business idea. Of women surveyed, 40 percent described having developed an innovative idea for a product or service, compared with 19 percent of their male counterparts, who were more likely to get their idea from a franchise seminar, a relative, or a magazine article. Only three students were inspired through a school course in entrepreneurship.

### **Business Planning Done Prior to Applying for a Student Venture**

Implicit in the Student Venture application process is the preparation of a well thought out business plan. However, the study team was interested in finding out how much business planning students had done prior to applying for Student Venture. Exhibit 4.3 provides a breakdown of responses to those questions. Slightly less than half of the participants had done some business planning apart from the Student Venture application. Of those that



**EXHIBIT 4.2: MOTIVATION FOR ENTERING A STUDENT VENTURE**

	SEX				TOTAL	
	MALE		FEMALE		NO.	%
	NO.	%	NO.	%	NO.	%
<b>REASON FOR STARTING BUSINESS</b>						
Wanted Experience in Starting/Running Business	145	48.5	25	49.0	170	48.6
Could make more money at own business	65	21.7	9	17.6	74	21.1
Wanted to be own boss	39	13.0	3	5.9	42	12.0
Lack of jobs	15	5.0	5	9.8	20	12.0
Funds to complete education	18	6.0	1	2.0	19	5.4
Had great idea that would work	10	3.3	3	5.9	13	3.7
Other	7	2.3	5	9.8	12	3.4
<b>TOTAL</b>	299	100%	51	100%	350	100%
<b>SOURCE OF BUSINESS IDEA</b>						
Related experience	103	34.4	17	33.3	120	34.3
Other	58	19.4	20	39.2	78	22.3
Friend	49	16.4	6	11.8	55	15.7
Franchise seminar on campus	37	12.4	1	2.0	38	10.9
Parent/relative	33	11.0	4	7.8	37	10.6
Read about similar idea in magazine/newspaper	12	4.0	2	3.9	14	4.0
Teacher/counsellor	4	1.3			4	1.1
School course in entrepreneurship	2	0.7	1	2.0	3	0.9
Don't know	1	0.3			1	0.3
<b>TOTAL</b>	299	100%	51	100%	350	100%



**EXHIBIT 4.3: BUSINESS PLANNING PRIOR TO STUDENT VENTURE**

	NO.	%
<b>HAD DONE FORMAL BUSINESS PLANNING PRIOR TO APPLYING FOR SV</b>		
NO	187	53.7%
YES	161	46.3%
<b>TOTAL</b>	<b>348</b>	<b>100%</b>
<b>TYPE OF BUSINESS PLANNING DONE</b>		
Researched the Market	96	60.8%
Prepared Cost Projections	95	60.1%
Prepared a Business Plan	67	42.4%
Prepared a Cash Flow Statement	59	37.3%
Prepared Sales Projections	46	29.1%
Other	9	5.7%
<b>TOTAL</b>	<b>158</b>	<b>100%</b>



had, about 60 percent had researched the market; the same proportion had prepared cost projections. Forty-two percent had prepared a business plan; 37 percent had prepared a cash flow statement; and 29 percent had done sales projections.

Students who had operated franchises under the Student Venture program were asked whether the franchiser had done their business planning for them. Of the 86 franchises surveyed, only 28 responded to this question. Sixty-four percent said that the franchise had, in fact, done the business planning on their behalf; 36 percent said they had not.

The franchisers interviewed emphatically stated that they **do not** do the planning for the students, but simply give them training seminars on how to do a business plan. The perceptions of some of the students differed from the reports of the franchisers as to how directive these training seminars were.

Regardless of the amount of planning completed by students beforehand, the Student Venture process requires all students to complete, document, and defend their business plan.

## **4.2 The Application Process**

### **Obtaining an Application**

Exhibit 4.4 shows the sources from which students obtained the Student Venture application and where they went to have it reviewed. Almost half (45 percent) obtained their form at their school placement/guidance office; 21 percent picked it up at a Royal Bank branch; an additional 18 percent got one from their local Chamber of Commerce.

Seventy-one percent of the students took their applications to a Chamber office to have it reviewed. The rest were reviewed at a branch of the Royal Bank.



**EXHIBIT 4.4: OBTAINING & RECEIVING STUDENT VENTURE APPLICATION**

	NO.	%
<b>WHERE STUDENT OBTAINED APPLICATION</b>		
School Placement/Guidance Office	157	45.1%
Chamber of Commerce	62	17.8%
Royal Bank	73	21.0%
Youth Hotline	6	1.7%
Other	26	7.5%
Phoned a # on Ad and Application Mailed	18	5.2%
Don't Know	8	2.3%
<b>TOTAL</b>	348	100%
<b>WHERE APPLICATION WAS REVIEWED</b>		
Chamber of Commerce/Board of Trade	249	71.1%
Royal Bank	98	28.0%
Don't Know	3	0.9%
<b>TOTAL</b>	350	100%

**EXHIBIT 4.5: CHANGES MADE TO BUSINESS PLAN AS RESULT OF APPLICATION REVIEW**

	NO.	%
<b>MADE CHANGES TO BUSINESS PLAN</b>		
No	304	88.1%
Yes	37	10.7%
Don't Know	4	1.2%
<b>TOTAL</b>	348	100%
<b>TYPE OF CHANGES MADE</b>		
Assessment of Startup Costs	7	17.9%
Marketing/Promotion Plans	6	15.4%
Assessment of Operating Costs	27	69.2%
Other	6	15.4%
Don't Know	10	25.6%
<b>TOTAL</b>	39	100%



## **Impact of the Application Review**

As Exhibit 4.5 shows, only 11 percent of the applicants made changes to their business plan as a result of the application review process. The vast majority of the necessary changes (69 percent) involved a reassessment of the operating costs. Other recommended changes involved the reassessment of startup costs (18 percent) and the marketing plan (15 percent).

## **Quality of Assistance Provided by the Chamber of Commerce/Royal Bank**

Student Venture applications are reviewed by individual members or committees of members who volunteer their time to work with Student Venture applicants. The students were asked to assess the quality of the assistance they received from the representatives from the Chamber of Commerce/Royal Bank who reviewed their application. The results of the ratings the students gave of the various aspects of the services they received from the reviewers is provided in Exhibit 4.6.

More than 90 percent of respondents rated the Chamber of Commerce/Royal Bank representatives' ability to understand their project as good or excellent; only three percent felt their representative was poor in this area.

Seventy-four percent of the students rated the representatives either good or excellent with regard to the help they provided in completing the applications. A number of the 26 percent who gave a rating of fair or poor in this area felt that the representatives left them too much on their own in completing the revisions to their applications.

The representatives received their lowest ratings in the area of providing business advice; 55 percent rated them as fair or poor in this area. The problem was not so much the advice provided about the business plan; the concern was that after the application review was completed, there was no further contact with anyone from the Chamber. Students expressed



**EXHIBIT 4.6: RATING OF SERVICES PROVIDED BY CHAMBER/BANK  
REPRESENTATIVES**

FACTOR	RATING				
	EXCELLENT	GOOD	FAIR	POOR	DON'T KNOW
Ability to Understand Project	65.0%	25.5%	5.7%	2.9%	0.9%
Help Completing Application	41.5%	32.1%	23.8%	1.8%	0.9%
Providing Business Advice	16.3%	27.9%	42.7%	12.2%	0.9%
Keeping Informed on Application Status	26.7%	34.8%	25.5%	12.2%	0.9%
Maintaining Confidentiality	93.3%	4.9%	0.6%	0.3%	0.9%



the need for greater access to business advice at the local level during the course of the Student Venture project.

Thirty-eight percent of the students felt the Chamber of Commerce/Royal Bank representatives could have done better at keeping them informed of the status of their application. The representatives said they were aware of this, but did not feel they were informed of the status of Student Venture approvals in time to be of help to the applicants.

Ninety-eight percent of the students rated the Chamber of Commerce/Royal Bank representatives level of confidentiality as either excellent or good.

### **Complexity of the Application**

Exhibit 4.7 provides the results of students assessments of the complexity of the Student Venture application. The vast majority found the application form fairly easy to deal with. On a four point rating scale where one was very easy and four was very complex, 90 percent rated the application as easy or very easy to deal with. Less than one percent found the application very complex to deal with.

Similarly, over two-thirds of respondents had no trouble with any of the aspects of the application form. An additional 19 percent said they had the most difficulty completing the cash flow statement; and six percent experienced most difficulty in assessing the operating costs.

Representatives of Chambers/banks testified to the fact that the greatest difficulty applicants have is in completing the cash flow statement. They reported that some students tend to be particularly unrealistic in the amount in sales they could expect to make over the short summer period.



**EXHIBIT 4.7: COMPLEXITY OF APPLICATION**

	NO.	%
<b>RATING OF COMPLEXITY</b>		
Very Complex	3	0.9%
Quite Complex	30	8.6%
A Bit Complex	100	28.7%
Not At All Complex	213	61.2%
Don't Know	2	0.6%
<b>TOTAL</b>	<b>348</b>	<b>100%</b>
<b>MOST DIFFICULT ASPECTS OF APPLICATION</b>		
None	238	69.2%
Preparing a Cash Flow Forecast	65	18.9%
Assessing Operating Costs	20	5.8%
Don't Know	16	4.7%
Other	14	4.1%
Licensing and Regulations	9	2.6%
Assessing the Market	6	1.7%
Determining Advertising Strategy	5	1.5%
<b>TOTAL</b>	<b>344</b>	<b>100%</b>



Overall, however, the application was praised by students for its thoroughness, and usefulness as a learning tool.

### **Turnaround Time for Approval of the Student Venture Application**

Students were asked to rate on a four-point rating scale the turnaround time it took to process and approve their loan application. They were also asked to estimate the time it took them to receive their loan from the time they had their interview at the Chamber/Board to the time they received their loan. The results of both questions are shown in Exhibit 4.8, broken down by year groupings so trends can be examined.

In interpreting the results it should be noted that it is very difficult to recall with accuracy such things as turnaround time several years after the event; and some respondents were basing their estimates as far back as 10 years ago. We are, therefore, dealing largely with perceptions (which tend to become more positive as time passes).

If the students' recollections are accurate, it would appear that the best turnaround times were experienced by the 1987-89 students, of whom 47 percent received their loans in under three weeks, compared to 29 percent of the 1990-91 group.

The most recent group of students also experienced the longest turnaround times; 55 percent of the 1990-91 students estimated turnaround of over four weeks, compared with 25 percent in 1987-89 and 22 percent in 1981-86.

Not surprisingly, the satisfaction levels of the students reflected the same pattern. Of the most recent borrowers, 73 percent felt the turnaround time was good or excellent compared with 80 percent of the 87-89 group, and 89 percent of the 81-86 group; and only 26 percent of the 90-91 students gave the turnaround time a rating of excellent, compared to 38 percent and 42 percent respectively of the earlier groups.



**EXHIBIT 4.8: TURNAROUND TIME**

	YEAR OF LOAN						TOTAL	
	1990-91		1987-1989		1981-86			
	NO.	%	NO.	%	NO.	%	NO.	%
<b>SOURCES</b>								
Poor	12	9.2%	9	5.8%			21	6.0%
Fair	24	18.3%	22	14.2%	6	9.7%	52	14.9%
Good	61	46.6%	65	41.2%	29	46.8%	155	44.5%
Excellent	34	26.0%	59	38.1%	26	41.9%	119	34.2%
Don't know					1	1.6%	1	0.3%
<b>TOTAL</b>	131	100%	155	100%	62	100%	348	100%
<b>ESTIMATED TURNAROUND TIME</b>								
Less than two weeks	9	6.9%	28	17.9%	5	7.9%	42	12.0%
>2 but <3 weeks	30	22.9%	45	28.8%	19	30.2%	94	26.9%
>3 but <4 weeks	18	13.7%	35	22.4%	14	22.2%	67	19.1%
>4 but <6 weeks	41	31.3%	21	13.5%	7	11.1%	69	19.7%
Over 6 weeks	31	23.7%	18	11.5%	7	11.1%	56	16.0%
Don't remember	2	1.5%	9	5.8%	11	17.5%	22	6.3%
<b>TOTAL</b>	131	100%	156	100%	63	100%	350	100%



The longer turnaround time may reflect the reductions in Student Venture staff that have occurred over the more recent years of the program. The current numbers of staff available to review the applications is about one-quarter of what it was in earlier years, without a corresponding reduction in program demands. The administrative procedures have been streamlined substantially over the last two years, but not enough to compensate for the staff reductions.

#### **4.3 Perceptions of Help Provided by the Ministry**

The students were asked whether or not they received any help from the Ministry during the course of their summer project; if so, they were asked to describe and evaluate the effectiveness of the help they received. The responses are shown in Exhibit 4.9.

Of the overall sample, 17 percent reported having received some help from the Ministry. A slightly higher proportion (24 percent) of those who later defaulted on their repayments had received help compared with those who did not (16 percent).

Of the 59 students whom the Ministry helped, two-thirds received it in the form of written material like a pamphlet. Of the remainder, approximately equal numbers received a phone call or visit from the Ministry, or attended a Ministry-sponsored small business seminar. Participants in earlier years of the program were more likely to have received a phone call or visit; recent participants were much more likely to have received their help through written materials.

Most of the students found the advice they received from the Ministry to be either good or fair. The participants in the 1990-1991 group perceived the advice they received as the most helpful, with 60 percent rating it as either excellent or good, compared with 50 percent and 27 percent respectively for earlier groups. A number of students commented that the pamphlets and seminars were helpful in the area of accounting, and the Ministry visits helped to raise morale. The streamlining of Ministry staff has not affected the quality of



**EXHIBIT 4.9: PERCEPTIONS OF HELP PROVIDED BY THE MINISTRY**

	YEAR OF LOAN						TOTAL	
	1990-91		1987-1989		1981-86			
	NO.	%	NO.	%	NO.	%		
<b>RECEIVED HELP FROM MINISTRY DURING SV PROJECT</b>								
No	100	76.9%	136	87.7%	52	82.5%	288	82.8%
Yes	30	23.1%	19	12.3%	10	15.9%	59	17.0%
Don't know					1	1.6%	1	0.3%
<b>TOTAL</b>	130	100%	155	100%	63	100%	348	100%
<b>NATURE OF HELP RECEIVED FROM MINISTRY</b>								
Pamphlet	26	83.9%	11	61.1%	2	20.0%	39	66.1%
Seminar	2	6.5%	6	33.3%			8	13.6%
Telephone call	3	9.7%	1	5.6%	4	40.0%	8	13.6%
Other	3	9.7%	2	11.1%	4	40.0%	9	15.3%
Don't know					3	30.0%	3	5.1%
<b>TOTAL</b>	31	100%	18	100%	10	100%	59	100%
<b>RATING OF ADVICE RECEIVED</b>								
Excellent	7	23.3%	1	5.6%	3	27.3%	8	13.6%
Good	11	36.7%	8	44.4%	4	36.4%	22	37.3%
Fair	10	33.3%	6	33.3%	3	27.3%	20	33.9%
Poor	2	6.7%	3	16.7%	1	9.1%	8	13.6%
Don't know							1	1.7%
<b>TOTAL</b>	30	100%	18	100%	11	100%	59	100%
<b>HOW ADVICE AFFECTED BUSINESS</b>								
Improved business operation	8	36.4%	5	35.7%	3	27.3%	16	34.0%
Not improved business operation	10	45.5%	7	50.0%	4	36.4%	21	44.7%
Other	4	18.2%	1	7.1%	3	27.3%	8	17.0%
Don't know			1	7.1%	1	9.1%	2	4.3%
<b>TOTAL</b>	22	100%	14	100%	11	100%	47	100%



advice they are able to provide but has limited the amount of direct contact with the students that can help to build morale.

#### **4.4 Business Experience of Student Venture Borrowers**

##### **Financing of the Student Venture**

Students were asked to assess the importance if the Student Venture loan to the overall financing of their venture. Exhibit 4.10 shows the results of the analysis.

More than two-thirds of respondents indicated that the loan was critical to starting their business; 87 percent felt it had been either very important or critical.

Seventy-five percent of the students said the loan was mainly important to cover startup costs. Thirteen percent said they needed the immediate cash flow; and 12 percent said they had no other sources of financing. Nine percent had taken out bridge financing to start their venture, and used the Student Venture loan to repay the startup loan. Nine percent of the students said they could have raised the financing for their business elsewhere. However, only about three percent said that the Student Venture loan was not important to business operation. This was largely because their parents had been willing and able to fund their operation.

Of the whole group of borrowers, 219 or 63 percent drew upon other sources of financing outside the program to operate their Student Ventures. Exhibit 4.11 provides a breakdown of the sources from which Student Venture borrowers obtained additional financing, and the estimated amounts obtained from each.

Of those who used additional financing, 78 percent had personal savings, from which they withdrew an average of \$1335 to support their student venture. Twenty percent had help



**EXHIBIT 4.10: IMPORTANCE OF THE SV LOAN TO STARTING THE BUSINESS**

	NO.	%
<b>RATING OF IMPORTANCE OF SV LOAN</b>		
1. Not at all important	12	3.4%
2. Somewhat important	32	9.1%
3. Very important	67	19.1%
4. Critical	239	68.3%
<b>TOTAL</b>	350	100%
<b>REASONS WHY LOAN WAS IMPORTANT</b>		
Startup cost	260	74.7%
Immediate cash flow	45	12.9%
No other sources	41	11.8%
Could have raised money elsewhere	31	8.9%
Need to repay startup loan	12	3.4%
Need for cash to cover unforeseen expenses	9	2.6%
Parents could have funded project	9	2.6%
Other	5	1.4%
<b>TOTAL</b>	348	100%



**EXHIBIT 4.11: FINANCING OF SV BUSINESSES****AMOUNTS OF FINANCING THROUGH SV PROGRAM**

Valid N	347
Mean	\$2654
Median	\$3000

**AMOUNTS OF FINANCING THROUGH PERSONAL SAVINGS**

Valid N	171
Mean	\$1335
Median	\$1000

**AMOUNTS OF FINANCING FROM PARENTS/RELATIVES**

Valid N	44
Mean	\$3498
Median	\$1750

**AMOUNT OF FINANCING FROM OTHER LOANS**

Valid N	17
Mean	\$4247
Median	\$3000



from their parents or relatives, averaging in the amount of about \$3500. Eight percent took out additional loans averaging \$4247.

In spite of the numbers of students who drew upon additional financing, only 12 percent recommended that the maximum amount of the Student Venture loan should be increased.

The vast majority of program Chamber of Commerce/Royal Bank representatives also thought that \$3000 is adequate for the Student Venture loan. They felt that where additional financing is required, the entrepreneurial student will be able to acquire it, and will benefit from the process. The survey results indicate that they are probably right.

### **Student Venture Business Results**

#### Sales and Profit Levels

Students were asked to provide an estimate of the amount in gross sales their business earned during their project. Among the 278 students who provided a valid estimate, the mean revenue amounted to \$27,152; the median amount was \$12,500. One student reported gross earnings of \$150,000 over the summer months.

Eighty percent of the respondents (283) provided an estimate of the amount of profits their businesses earned over the summer. The mean estimate was \$5,622; the median was \$3,000. The maximum profit earned was \$40,000.

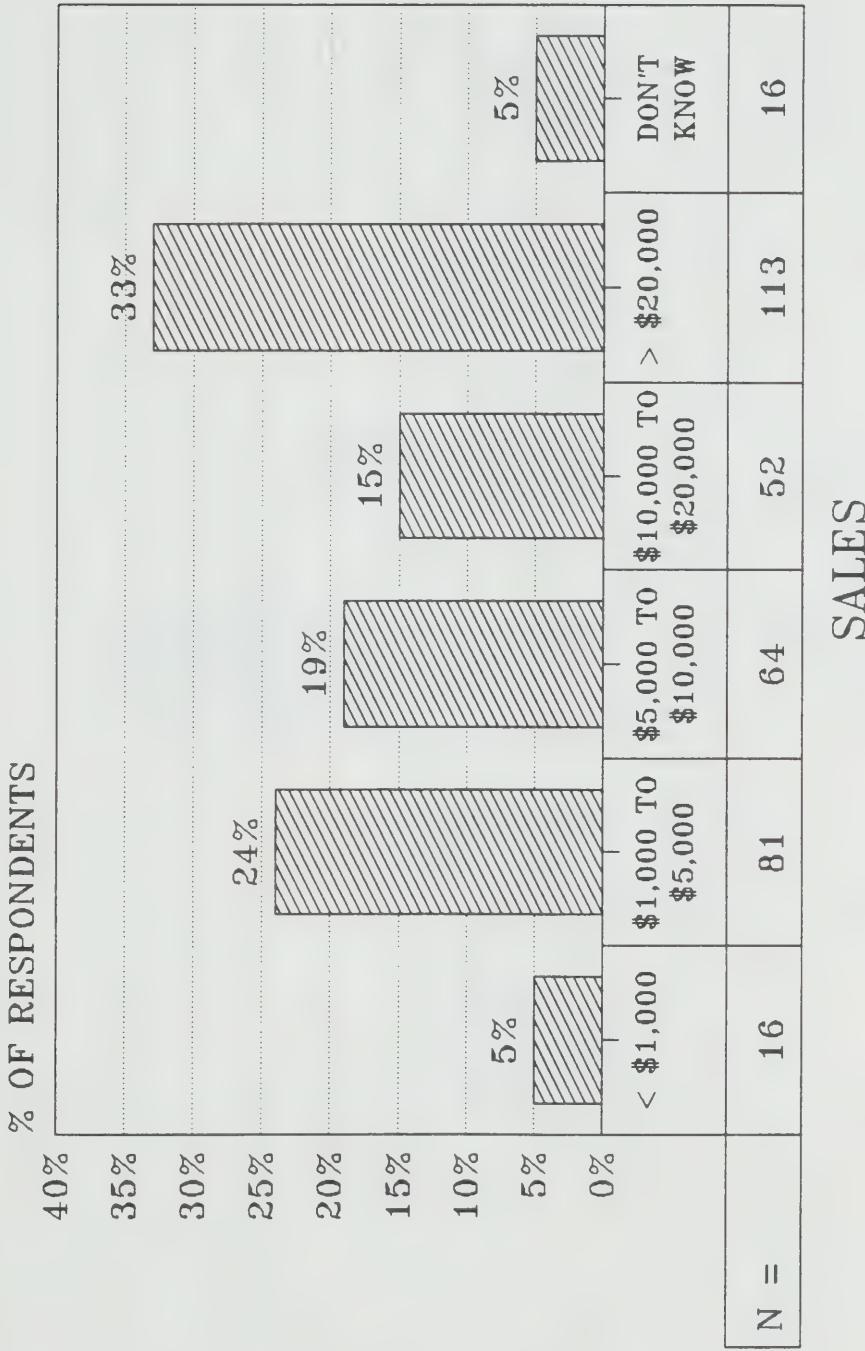
A larger proportion of students were able to estimate the general range within which the amounts of their companies' levels of sales and profits fell. The frequencies of these estimates are depicted graphically in Exhibit 4.12 and 4.13.

Almost one-third of the students reported gross sales exceeding \$20,000. An additional 29 percent earned less than \$5000, and the remaining 34 percent were somewhere in between.



# EXHIBIT 4.12: SV BUSINESS RESULTS

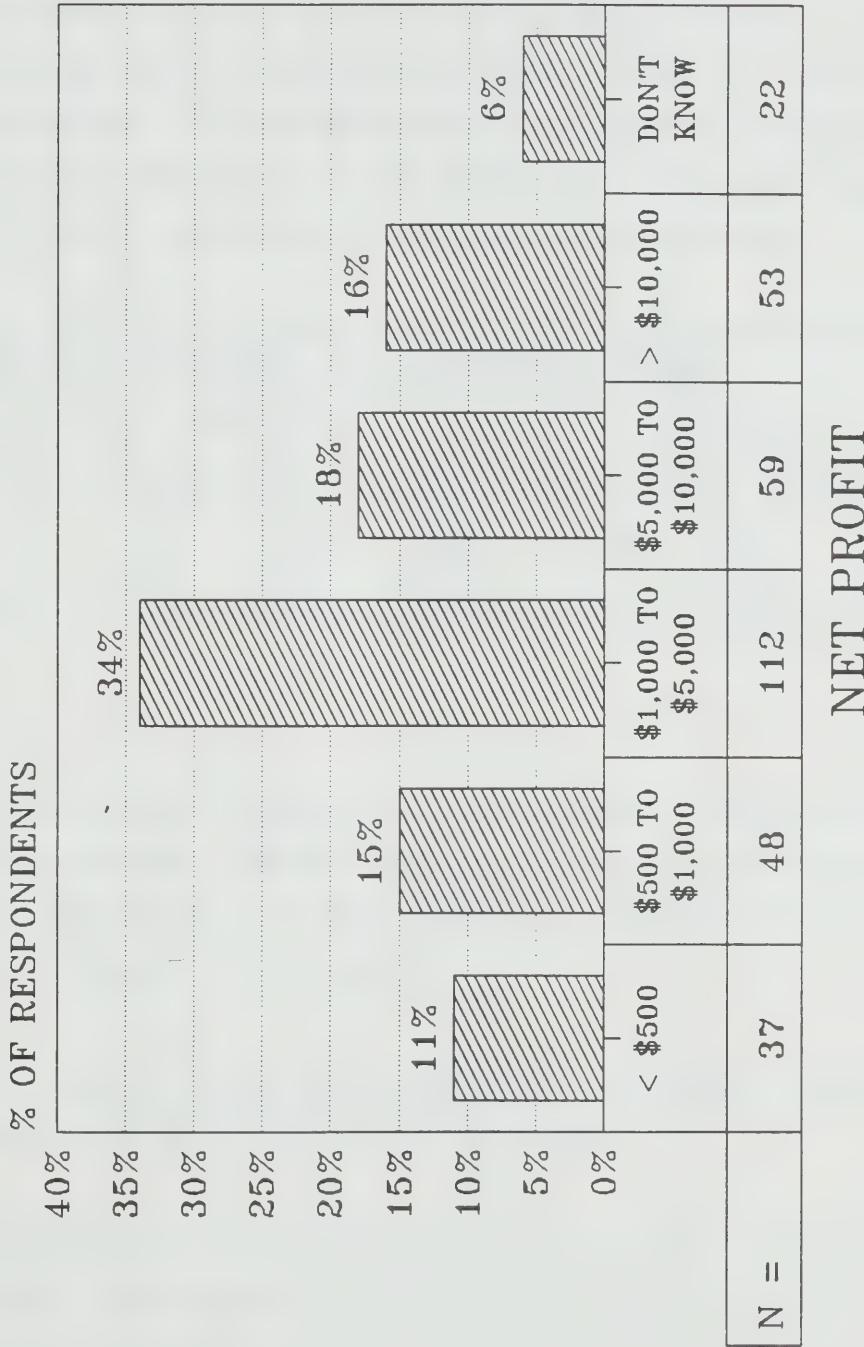
## TOTAL AMOUNT OF GROSS SALES DURING PROJECT





# EXHIBIT 4.13: SV BUSINESS RESULTS

## TOTAL NET PROFIT DURING PROJECT





Estimates of profit levels show that 26 percent earned less than \$1000. An additional 16 percent over \$10,000. One-third of the total earned from \$1,000 to \$5,000.

The table below provides a comparison of gross sales and net profits earned by agricultural and franchise ventures compared to other businesses. As the exhibit shows, both sales and revenues were substantially higher for franchises than other businesses, and agricultural ventures were somewhat lower. The profit/gross sales ratio is lower for both agricultural and franchise ventures than it is for other businesses. Factors include higher fixed operating costs for agricultural ventures, and high franchise fees for franchise businesses.

EXHIBIT 4:14: COMPARISON OF BUSINESS RESULTS BY TYPE OF BUSINESS						
TYPE OF BUSINESS	GROSS SALES			NET PROFITS		
	Valid N	Mean	Median	Valid N	Mean	Median
Agriculture	55	13636	4500	59	1409	900
Franchise	80	54938	52500	81	11583	8800
Other Businesses	141	19576	10000	144	7233	4000

#### Job Creation

Exhibit 4.15 provides the responses to questions regarding the number of persons employed through Student Venture projects. Eighty-two percent of the ventures created full-time positions. On average, four full-time positions were created by each of these ventures; and one business employed 30 persons on a full-time basis.

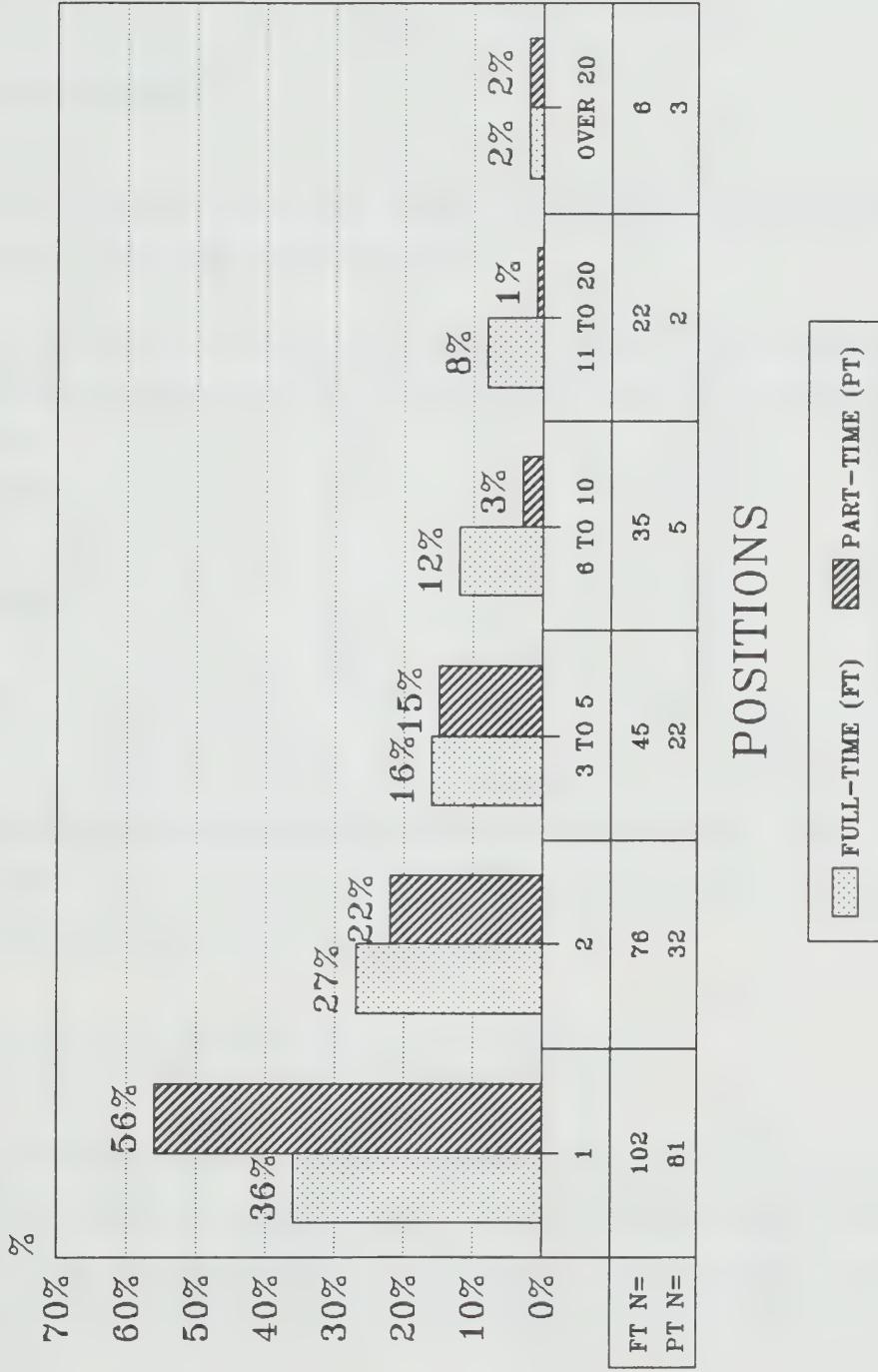
Sixty-one (17 percent) of the businesses did not have full-time employees. Eighty-four (24 percent) employed persons on both a full and part-time basis.

An overall average of three part-time positions were created by each of the 145 ventures with part time employees. The majority of these businesses (56 percent) had only one part-time employee, and only seven percent had more than five part-time positions.



# EXHIBIT 4.15: SV BUSINESS RESULTS

## NO. OF SUMMER JOBS CREATED BY SV





In terms of job creation, the Student Venture program produced a good return on investment for the Province of Ontario. For an average investment of \$600 per venture, each business created 3.28 full-time positions plus 1.24 part time positions (including the student manager) over its summer operation.

### **Rating of Overall Business Success**

The students themselves were asked to rate how successful they thought their own Student Venture businesses were. The results are shown below.

Rating of Success	#	%
Very successful	132	37.8
Quite successful	125	35.8
Somewhat unsuccessful	61	17.5
Not at all successful	<u>31</u>	<u>8.9</u>
Total	349	100

As the ratings show, the vast majority of students felt their business ventures had succeeded; 73 percent rated their businesses as either quite successful or very successful. Just over one quarter of the respondents were somewhat disappointed with their business results, with nine percent rating their business ventures as not at all successful.

### **4.5 Factors Influencing the Success of Student Venture Businesses**

Exhibit 4.16 provides a breakdown of the ratings that students used to assess the importance of particular factors to the success of their businesses. The quality of the product or service was thought to be of critical or major importance by 93 percent of the students; and hard work was felt to be of major or critical importance by 89 percent. Factors such as previous



**EXHIBIT 4.16: STUDENT VENTURE SUCCESS FACTORS**

SUCCESS FACTOR	RATING				
	4 CRITICAL	3 A MAJOR FACTOR	2 A MINOR FACTOR	1 NOT A FACTOR	NOT APPLICABLE
PREVIOUS BUSINESS EXPERIENCE	24.6%	16.4%	13.1%	28.6%	17.3%
BUSINESS COURSES IN SCHOOL	4.9%	10.4%	18.7%	42.6%	23.3%
HARD WORK	72.8%	16.0%	2.4%	3.9%	4.8%
ADVICE FROM CHAMBER/BOARD	2.5%	3.1%	3.7%	53.7%	37.0%
ADVICE FROM MITT	1.9%	2.8%	3.7%	53.9%	37.7%
QUALITY OF PRODUCT/SERVICE	76.7%	17.0%	1.2%	.6%	4.5%
HELP FROM OTHERS	27.3%	29.7%	14.0%	19.5%	9.6%
SUPPORT FROM FRANCHISE	19.6%	6.5%	2.8%	6.5%	63.6%
HIGH MARKET PRICES	25.8%	15.5%	5.2%	9.3%	42.3%
OTHER	78.7%	6.5%	0%	1.9%	12.9%



business experience, help from others, support from the franchise, and high market prices were also thought to be important by significant proportions of students.

The majority of students did not perceive that either help from the Chamber/Board or help from the Ministry had been strongly influential in the success of student ventures. Neither were business courses in school perceived to be very significant. However, feedback from educators indicated that greater integration of the Student Venture program with entrepreneurship/business studies would improve the effectiveness of both.

Exhibit 4.17 provides a similar rating of factors which limited the success of student ventures. As the exhibit shows, no single factor stands out prominently as a hindrance to the success of student ventures in general. Usually it was a combination of particular circumstances that students used to describe what went wrong with their businesses. In the "other" category, for example, a number of students felt they had not been well enough organized; several described problems in collecting receivables. Other difficulties included poor equipment, transportation problems, poor customer relations, and death of livestock.

When asked if anything could have helped them to overcome difficulties the students responses reflected the particulars of their own situations. However, three types of responses stood out: better management of the business (planning, marketing, etc.); more business experience; and access to a mentor that could provide them with advice on an ongoing basis.

Both the types of factors that were identified, and the common assertion that failure was the result of a "combination of factors", point to the need for a mentor program.

The Chambers of Commerce indicated a willingness to become more actively involved in providing a mentor program for students, given that certain legal implications could be resolved, and that they could obtain access to better information on the students results. (See Section 7.2).



**EXHIBIT 4.17: FACTORS LIMITING THE SUCCESS OF STUDENT VENTURES**

FACTORS LIMITING SUCCESS	RATING				
	4 CRITICAL	3 A MAJOR FACTOR	2 A MINOR FACTOR	1 NOT A FACTOR	NOT APPLICABLE
LACK OF BUSINESS EXPERIENCE	11.6%	10.1%	8.6%	29.4%	40.4%
LOW MARKET DEMAND	11.5%	9.9%	10.9%	46.3%	21.4%
HIGHER THAN EXPECTED COSTS	10.2%	13.3%	13.3%	50.0%	13.3%
PARTNERSHIP DIFFICULTIES	5.7%	1.9%	2.5%	39.9%	50.0%
PROBLEMS WITH EMPLOYEES	6.5%	6.5%	7.5%	40.7%	38.8%
ECONOMIC RECESSION	8.1%	6.5%	7.4%	57.3%	20.7%
INSUFFICIENT FINANCING	4.9%	9.2%	8.5%	51.1%	26.2%
POOR/LACK OF ADVERTISING	9.9%	8.0%	12.4%	43.3%	26.3%
STRONG ESTABLISHED COMPETITION	17.0%	13.0%	13.3%	40.2%	16.4%
NATURAL CAUSES EG. WEATHER	9.8%	7.8%	10.8%	56.3%	15.3%
LACK OF SUPPORT FROM FRANCHISE	10.2%	0.0%	1.0%	12.2%	76.5%
LOW MARKET PRICES	16.8%	2.1%	4.2%	12.6%	63.2%
OTHER	80.2%	7.9%	3.0%	5.9%	2.0%



## **4.6 Repayment of the Student Venture Loan**

The survey sample was drawn so a comparison could be made between those who had defaulted on their Student Venture loans and those who had not. The following sections provide the results of this comparison.

### **R<sup>e</sup>paying the Loan**

Of the total sample, 51 respondents defaulted on their Student Venture repayment. Exhibit 4.18 shows that, when asked, 47 of these admitted to having defaulted; the remaining four refused to comment.

Almost all of those who repaid the loan on time used business revenues as their primary source of funds. Some agricultural ventures borrowed money from their families to repay the loan so they could wait to receive higher prices for their livestock.

Of those who defaulted on their loans, seventy percent eventually repaid it. Sources included employment earnings, another loan, and help from the family.

### **Defaulted vs. Repaid Loan by September 30 Deadline: Comparison of Profiles**

Exhibit 4.19 compares the profiles of borrowers who defaulted on their Student Venture loan with those who did not. In terms of personal characteristics, there do not seem to be many significant differences in the survey sample. On the basis of a very small number, the default rates appeared to be higher among the oldest age group, and among borrowers in community colleges.

A few differences can be observed in the comparison of a business profiles in Exhibit 4.20. For example, agricultural ventures showed significantly lower incidence of default than did other types; the overall default rate of these businesses was four percent compared to the



**EXHIBIT 4.18: REPAYMENT OF SV LOAN**

	NO.	%
<b>PAID LOAN BY SEPT. 30 DEADLINE</b>		
Yes	299	85.4%
No	47	13.4%
Not applicable	4	1.1%
<b>TOTAL</b>	<b>350</b>	<b>100%</b>
<b>SOURCES OF FUNDS TO REPAY LOAN</b>		
Business revenues	286	86.7%
Employment	20	6.1%
Personal/Family funds	16	4.8%
Another loan	11	3.3%
Sale of business assets	5	1.5%
Other	5	1.5%
<b>TOTAL</b>	<b>330</b>	<b>100%</b>



**EXHIBIT 4.19: PROFILE OF BORROWERS:  
COMPARISON OF DEFAULTS VS. THOSE WHO REPAYED BY SEPT. 30**

		REPAID BY SEPT. 30			DEFAULTED ON REPAYMENT		
		No.	Col. %	Row %	No.	Col. %	Row %
<b>REGION</b>							
Central	123	41.1%		87.2%	18	35.3%	12.8%
East	39	13.0%		83.0%	8	15.7%	17.0%
Northeast	17	5.7%		77.3%	5	9.8%	22.7%
Northwest	2	0.7%		100.0%			
Southwest	74	24.7%		88.1%	10	19.6%	11.9%
Toronto	44	14.7%		81.5%	10	19.6%	18.5%
<b>GENDER</b>							
Male	254	84.9%		85.9%	45	88.2%	15.1%
Female	45	15.1%		88.2%	6	11.8%	11.8%
<b>AGE</b>							
15 - 17	82	27.4%		85.4%	14	27.5%	14.6%
18 - 20	118	39.5%		86.1%	19	37.3%	13.9%
21 - 24	94	31.4%		85.5%	16	31.4%	14.5%
25 - 29	5	1.7%		71.4%	2	3.9%	28.6%
<b>EDUCATION</b>							
High School	113	37.8%		88.3%	15	29.4%	11.8%
Community College	12	4.0%		63.2%	7	13.7%	36.8%
University	174	58.2%		85.7%	29	56.9%	14.3%
<b>TOTAL</b>	299	100%		85.4%	51	100%	14.6%



**EXHIBIT 4.20: PROFILE OF BUSINESS:  
COMPARISON OF DEFAULTS VS. THOSE WHO REPAYED BY SEPT. 30**

	REPAID BY SEPT. 30			DEFAULTED ON REPAYMENT		
	No.	Col.%	Row %	No.	Col. %	Row %
<b>TYPE OF BUSINESS*</b>						
Agricultural	71	23.7%	95.9%	3	5.9%	4.1%
Manufacturing	14	4.7%	93.3%	1	2.0%	6.7%
Retail	48	16.1%	85.7%	8	15.7%	14.3%
Service	190	63.5%	81.9%	42	82.4%	18.1%
Wholesale	3	1.0%	75.0%	1	2.0%	25.0%
<b>NATURE OF BUSINESS</b>						
Student Painters	67	22.4%	83.8%	13	25.5%	16.3%
Fence/Deck Building	13	4.3%	81.3%	3	5.9%	18.8%
Lawn Care/Landscaping	37	12.4%	86.0%	6	11.8%	14.0%
Livestock	53	17.7%	96.4%	2	3.9%	3.6%
Window Cleaning	13	4.3%	100.0%			
Other	120	40.1%	81.6%	27	52.9%	18.4%
<b>LEGAL STATUS OF BUSINESS</b>						
Sole Proprietorship	221	73.9%	86.7%	34	66.7%	13.3%
Partnership	76	25.4%	81.7%	17	33.3%	18.3%
Corporation	2	0.7%	100.0%			
<b>FRANCHISE</b>						
No	227	76.2%	86.6%	35	70.0%	13.4%
Yes	71	23.8%	82.6%	15	30.0%	17.4%
<b>REPEAT SVC BORROWER</b>						
No	178	59.5%	81.3%	41	80.4%	18.7%
Yes	121	40.5%	92.4%	10	19.6%	7.6%
<b>TOTAL</b>	299	100%	85.4%	51	100%	14.6%

\* NOTE: Some individuals indicated their business fell into more than one category.



overall average of 16 percent. In contrast, service business tended to show a slightly higher default rate of 18 percent.

In terms of the nature of the business, livestock ventures showed themselves to be relatively safe investments, as did window cleaning.

Partnerships appeared (predictably) to experience slightly more difficulties than other legal entities.

Contrary to the opinions of the franchisers interviewed, franchises did not have lower default rates than other businesses. The survey showed a that the group that defaulted had a slightly higher proportion of franchises than the group who did not. The default rate for franchisees was 17 percent, compared to 13 percent of the non-franchise businesses.

Finally, the default rates were much lower for repeat borrowers than for non-repeat borrowers. Only 8 percent of repeat borrowers defaulted on their loan repayments compared with 18 percent of first-time borrowers.

### **Factors Affecting Loan Repayment**

Exhibit 4.21 provides an analysis of factors that affected the repayment of loans among borrowers who defaulted. Twenty percent identified low business revenues as the major problem. In fact, the proportion may be higher than that, since an additional 20 respondents revealed in their comments that their businesses, for some particular reason, failed to make enough money to produce a surplus at the end of the summer. Overall, about 80 percent of the defaulters suffered from poor success in their businesses.

An additional 20 percent of borrowers had adequate sales, but were unable to collect accounts receivable. The comments from students in the "other" category were widely varied. For example, in the livestock business, one borrower had his animals stolen;



**EXHIBIT 4.21: BORROWERS IN DEFAULT:  
FACTORS AFFECTING REPAYMENT OF LOAN**

	NO.	%
<b>REASONS FOR BEING UNABLE TO REPAY LOAN BY DEADLINE</b>		
Business didn't make money	9	19.6%
Customer didn't pay fee owed	9	19.6%
Other	28	60.9%
<b>TOTAL</b>	<b>46</b>	<b>100%</b>
<b>DID STUDENT ATTEMPT TO ARRANGE A REPAYMENT SCHEDULE?</b>		
No	12	25.5%
Yes	35	74.5%
<b>TOTAL</b>	<b>47</b>	<b>100%</b>
<b>REASON FOR NOT CALLING TO ARRANGE REPAYMENT SCHEDULE</b>		
None	1	10.0%
Ministry/Bank called	4	40.0%
Payment made on time but bank failed to inform	1	10.0%
Other	4	40.0%
<b>TOTAL</b>	<b>10</b>	<b>100%</b>



another's chickens were killed in a fire. One said his partner stole the profits. Several said that once they had paid the required percentage to the franchise, they had nothing left. An additional number felt it was more important to pay their university tuition, and chose to let the loan payment go.

Three-fourths of the defaulters said that they had attempted to arrange a repayment schedule. Of those who did not, four said it was because the Ministry called them first. The rest gave a variety of excuses, none of which sounded very valid.

### **Eventual Repayment of Student Venture Loan**

Exhibit 4.22 shows that 70 percent of the borrowers who had defaulted on their Student Venture loan eventually repaid it. The majority (63 percent) said they repaid the loan before the end of the same calendar year. Some borrowers took over a year to repay the loan, and about 10 percent repaid the loan after two to three years.

These data substantiate the Ministry's statistics about loan repayments, and illustrate that the trends regarding defaults are predictable. Given the stability of factors relating to defaults and the annual default rates, there is no reason to believe that the default rate will change from its current level of 16 percent.

## **4.7 Impacts of the Student Venture Program**

### **Short-term Impacts: The Student Venture Learning Experience**

Students were asked to identify the main skills they developed, and to describe what was the main lessons learned as a result of their Student Venture experience. The responses are provided in Exhibit 4.23.



**EXHIBIT 4.22: BORROWERS IN DEFAULT:  
EVENTUAL REPAYMENT OF LOAN**

	NO.	%
<b>DID BORROWERS IN DEFAULT EVENTUALLY REPAY LOANS?</b>		
No	14	29.8%
Yes	33	70.2%
<b>TOTAL</b>	<b>47</b>	<b>100%</b>
<b>HOW LONG AFTERWARD?</b>		
1 Month	12	37.5%
2 - 3 Months	8	25.0%
4 - 6 Months	7	21.9%
6 - 12 Months	1	3.1%
1 to 2 Years	1	3.1%
2 to 3 Years	3	9.4%
<b>TOTAL</b>	<b>32</b>	<b>100%</b>



**EXHIBIT 4.23: THE SV LEARNING EXPERIENCE**

	NO.	%
<b>MAIN SKILLS DEVELOPED</b>		
Customer relations	206	59.5%
Marketing/Sales	129	37.3%
Accounting	124	35.8%
Supervisory skills	112	32.4%
Time management	93	26.9%
Other	50	14.5%
Problem solving/Decision making	45	13.0%
Stress management	29	8.4%
Don't know	2	.6%
<b>TOTAL</b>	<b>346</b>	<b>100%</b>
<b>MAIN THING LEARNED FROM EXPERIENCE</b>		
Great job satisfaction/pride	126	37.3%
Self-Confidence	124	36.7%
Other	87	25.7
Like being own boss	62	18.3%
Self-Reliance	53	15.7%
Hard work pays off	33	9.8%
Don't know	12	3.6%
<b>TOTAL</b>	<b>338</b>	<b>100%</b>



In terms of learned skills, the majority (59 percent) of respondents identified customer relations. Other frequently identified skills included accounting, supervisory skills and time management. In the "other" category, students frequently mentioned organizational skills, money management, interpersonal skills, and business planning.

When asked to describe the main things they learned from the experience, students tended to give responses in one of two categories: self-awareness and life lessons. In the first category, students said they acquired self-confidence, a great sense of accomplishment, and self reliance as a result of their program experience. This perception was attested to by franchisers and Chamber of Commerce/Royal Bank representatives who remarked on the growth in self-confidence they observed in successful "graduates" of the Student Venture program.

A number of students found out that they very much enjoyed being their own boss. One woman remarked that, "Once you get a taste of being your own boss, there is no going back."

A number of respondents also learned that they were not cut out for business. One remarked that he found there was a lot more to it than what meets the eye; another learned that he did not want to be a farmer.

The most commonly acquired wisdom was that "hard work pays off". A number of people who had suffered through partnership difficulties learned the importance of selecting the right partner; several said they learned to question the wisdom of getting involved with a franchise.

Regardless of the specifics, the vast majority of clients of the Student Venture program found the experience they gained as a result of the program was invaluable. All but two persons (who suffered bitterly disappointing experiences with their businesses) said they would recommend the program to a friend wanting to start a business.



## **Long-term Impacts: The Effect of Student Venture on Career Choices**

Students were asked to assess the degree to which their experience in the Student Venture program influenced their career plans. The ratings in Exhibit 4.24 show that the program had quite an impact in this area. Thirty percent of the students said that their Student Venture experience had a profound impact on their career plans; an additional 32 percent felt there had been a significant impact. Only 16 percent of those who had gone through the program found that the experience had not influenced their career choices at all.

About two-thirds of respondents (68 percent) felt that their involvement with Student Venture made them more likely to start a business. The comments confirmed that it was highly probable that students who had a positive experience with Student Venture had either started their own business, or were planning to start one sometime in the future.

Those who had participated in the Student Venture program prior to 1991 were asked whether or not they had started their own businesses. If they said no, they were asked whether or not they intended to start a business sometime in the future. The latter question was also asked of 1991 participants. The results are shown in Exhibit 4.25.

Of the 317 who participated in the program prior to 1991, 119 (or 38 percent) went into business for themselves. Despite the recession, 96 of these businesses (81 percent) are still going concerns.

Of the 139 who did not start businesses, 70 percent intend to do so at some point in the future. At this point, an additional 94 percent of the 1991 participants intend to go into business for themselves.

Of the total sample, a surprising 289 participants, or 83 percent have either started their own businesses, or intend to do so at some point in the future.

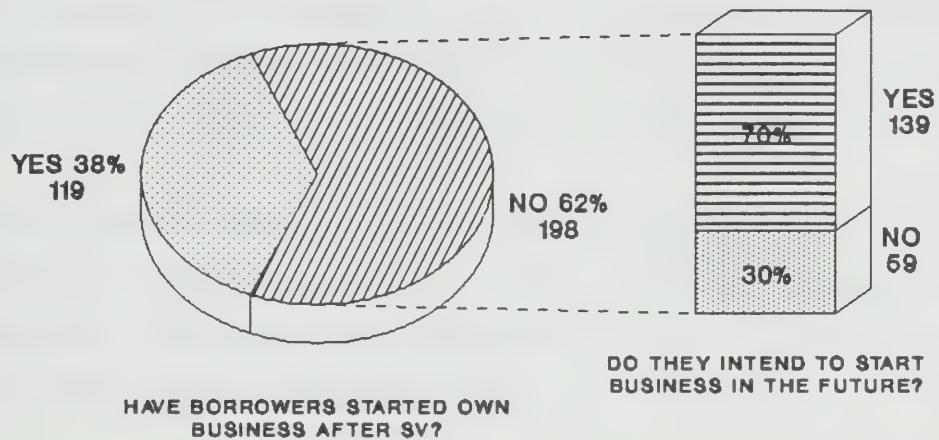


**EXHIBIT 4.24: OVERALL IMPACT OF SV EXPERIENCE  
ON STUDENT CAREER CHOICES**

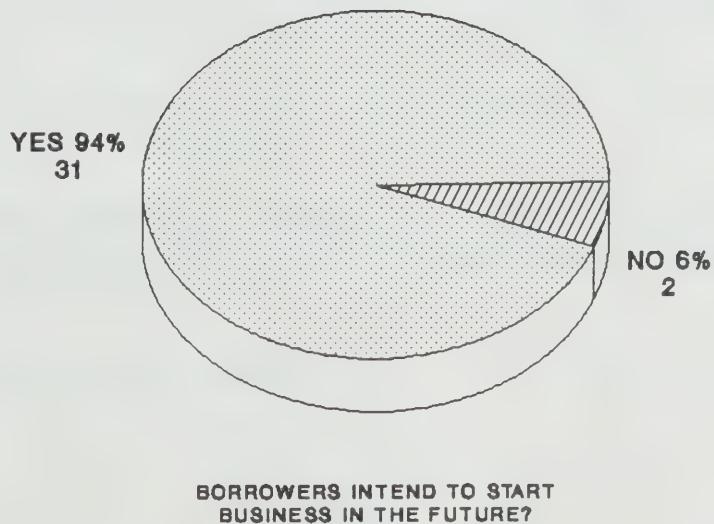
	NO.	%
<b>DEGREE TO WHICH SV INFLUENCED STUDENT CAREER PLANS</b>		
Not at all	56	16.0%
Somewhat	76	21.8%
Significantly	111	31.8%
Profoundly	106	30.4%
<b>TOTAL</b>	<b>349</b>	<b>100%</b>
<b>LIKELIHOOD OF STARTING BUSINESS AFTER SV EXPERIENCE</b>		
More likely	228	67.7%
As likely	93	27.6%
Less Likely	16	4.7%
<b>TOTAL</b>	<b>337</b>	<b>100%</b>



**EXHIBIT 4.25: IMPACT OF STUDENT VENTURE  
ON NEW BUSINESS STARTUP  
PRIOR TO 1991**



**IMPACT OF STUDENT VENTURE  
ON NEW BUSINESS STARTUP  
1991**





## **5.0 FRANCHISES VS. NON FRANCHISES: COMPARISON OF RESULTS**

During the course of the evaluation study, particular concern was expressed by clients, Chamber of Commerce/Royal Bank representatives and managers alike about the role of franchises in the Student Venture program. Over the past decade, the number of applications received from franchises has continued to increase. Particular franchises have been very aggressive in recruitment on university campuses, and competition for student managers has led to earlier and earlier presence of franchise representatives on campus, each attempting to sign the best students before the competition does.

One of the marketing techniques used by a number of franchises is to "promise" the student that if they sign a franchise agreement with them, they will be virtually guaranteed a Student Venture loan. Students have been entering into agreements on this basis before they even obtain a Student Venture application form.

Franchisers we interviewed were quick to point out that there were a number of advantages for students who operate franchises:

- approximately 75 hours of classroom training in various aspects of business management: e.g. planning, budgeting, marketing, customer relations, etc.
- an additional 20 to 30 hours of training related to the particular type of business (eg. painting, estimates etc.)
- 30 minutes per week direct supervision during the course of the project;
- the additional confidence the student has in the knowledge that there is a large company backing him/her; and
- better business results.



However, the Student Venture program clients, managers and Chamber of Commerce/Royal Bank representatives also identified a number of concerns with the franchises:

- franchises do not offer an equivalent learning experience, since the bulk of the business planning is done by the franchise;
- the franchises tend to exploit the students, requiring the students to sign agreements to meet predetermined sales quotas, and holding students liable to make up the shortfall; and
- profit margins are often used to pay the large franchise fees that usually range from 18 to 20 percent of sales revenues.

The concerns outlined above were also substantiated by the students interviewed in the survey of participants. A number of students told horror stories about exploitation on the part of franchisers.

The Ministry is aware of problems such as these. This prompted the management of the Student Venture program to establish provincial limits on the number of franchises of each kind that would be eligible for loans through the Student Venture program in 1991. Virtually all of the Chamber of Commerce representatives applauded the Ministry's action and expressed the view that the limits were appropriate and that the levels set in 1991 were adequate.

However, the survey also revealed that some of the most dramatic success stories occurred among those who operated their student ventures as franchises.

The following sections provide a comparison of the overall results achieved through franchises compares with non-franchise ventures.



## **Comparison of Business Results**

Exhibit 5.1 provides a three-part comparison of the results achieved by franchise businesses compared with business of other types over their summer operation.

In terms of total sales revenues the difference is quite remarkable. Of the total franchises, 79 percent earned sales revenues in excess of \$20,000, compared with 18 percent of non-franchise ventures; and less than six percent of franchises earned less than \$5000 in sales, compared with 37 percent of non-franchises.

Exhibit 5.1b shows that, despite the hefty franchise fees, franchises also tended to net higher profit levels than non-franchise businesses; however, due to the franchise fees, the difference in profit margins is not in proportion to the difference in revenues. Profits in excess of 20,000 were earned by 35 percent of the franchises, whereas these profit levels were achieved by only 10 percent of non-franchise businesses.

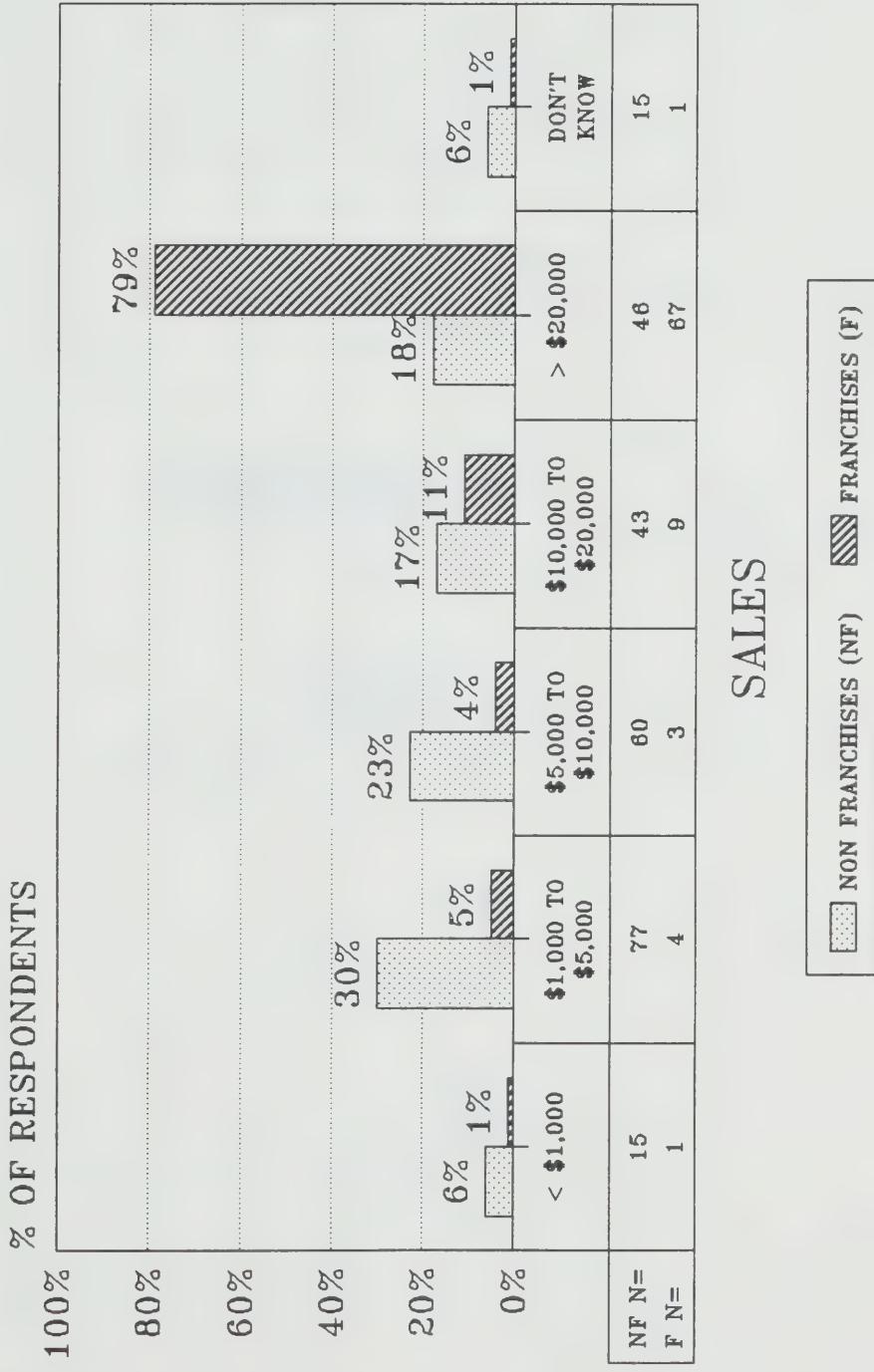
In terms of job creation, the differences between franchises and non-franchise ventures were also dramatic. Exhibit 5.1c shows that 65 percent of franchises employed more than five people full-time (including the student manager) compared with only five percent of other types of businesses.

Similarly, as shown in Exhibit 5.1d, 30 percent of the franchises employed more than five employees on a part-time basis, compared with only three percent of other types of businesses.

Based on survey results, then, the franchises created ten times the number of jobs that did businesses of other types.

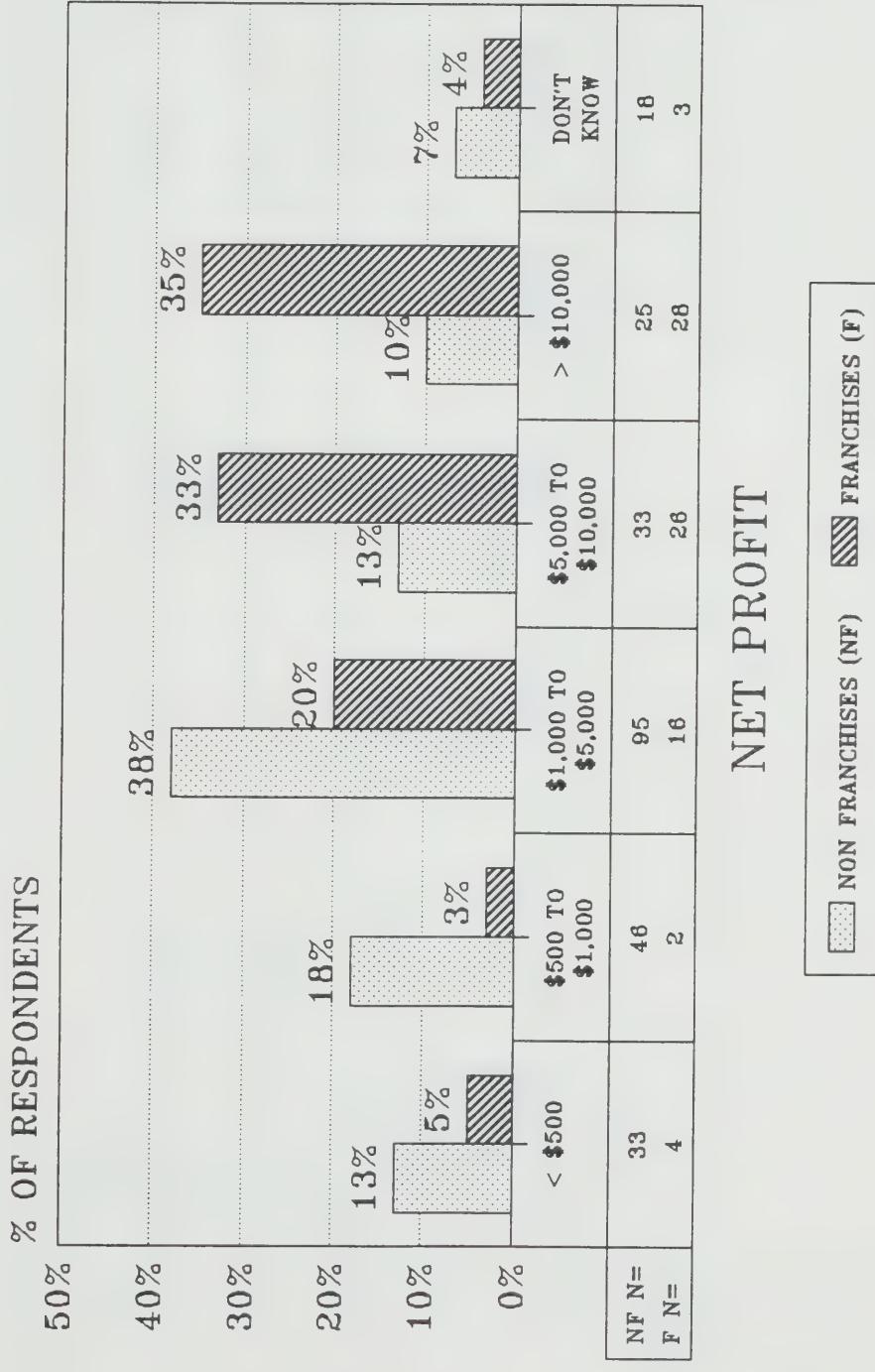


**EXHIBIT 5.1A: COMPARISON OF RESULTS  
TOTAL GROSS SALES DURING PROJECT  
FRANCHISES VS. NON-FRANCHISES**



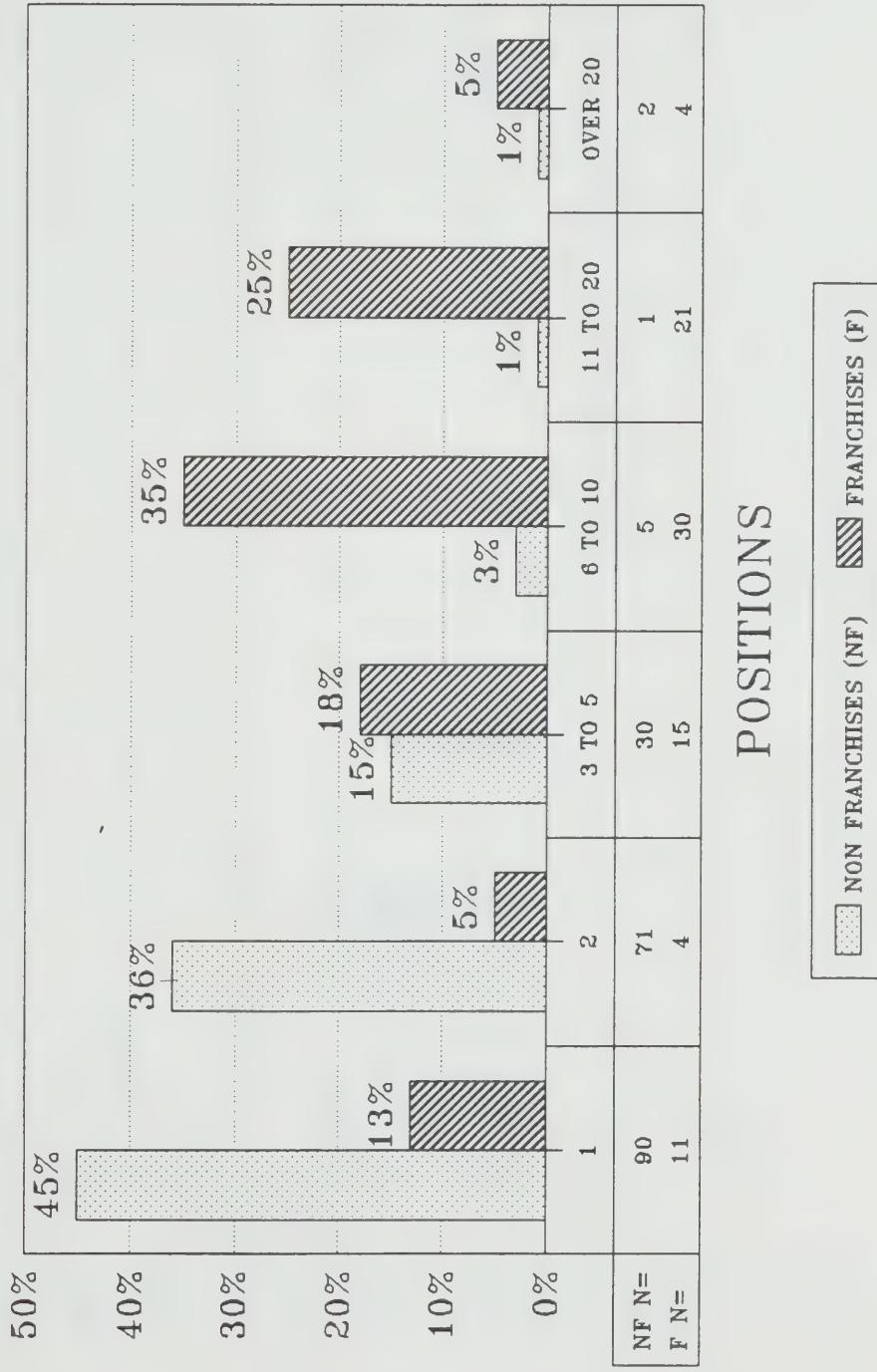


# EXHIBIT 5.1B: COMPARISON OF RESULTS TOTAL NET PROFIT DURING PROJECT FRANCHISES VS. NON-FRANCHISES



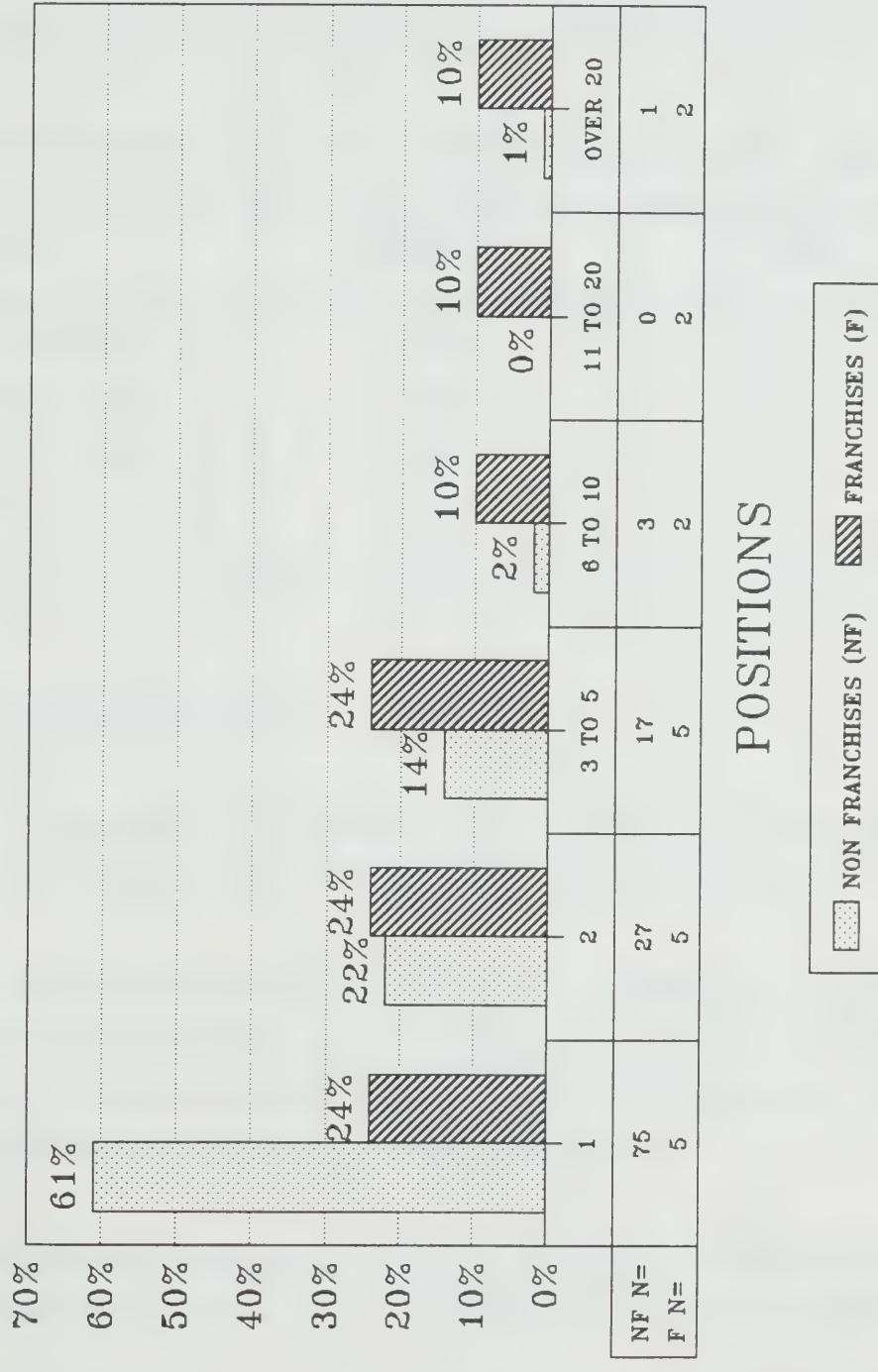


# EXHIBIT 5.1C: COMPARISON OF RESULTS FULL-TIME JOBS CREATED DURING PROJECT FRANCHISES VS. NON-FRANCHISES





# EXHIBIT 5.1D: COMPARISON OF RESULTS PART-TIME JOBS CREATED DURING PROJECT FRANCHISES VS. NON-FRANCHISES





## **Comparison of Default Rates**

Although the overall business results were more spectacular for franchises, they tended to default more than non-franchise ventures. The overall default rate for franchises in the survey was 17 percent compared with 13 percent for the non-franchise businesses.

A comparison of the default rates of the various types of franchises is provided below:

<b>Franchise</b>	<b>Default Rate</b>	<b># in Sample</b>
College Pro Painters	23%	39
Student Painters/Triple A	18%	28
Dickie Dee Ice Cream	0%	2
Other	18%	11
Total	17%	80

## **Comparison of the Learning Experience**

Exhibit 5.2 provides a comparison of the particular skills and lessons that proportions of borrowers in each group said they gained from the Student Venture experience.

In terms of business skills, higher proportions of borrowers in the franchise group reported having acquired equivalent business skills in all areas except one: accounting. In terms of interpersonal factors, the two groups did not differ significantly, with the exception of one factor: job satisfaction, which was lower for the franchise operators.

These results are the natural consequence of the nature of franchise operations, in which student managers assume much more the role of an employee than that of an entrepreneur.

In conclusion, franchises do provide a valuable learning experience for Student Venture borrowers; students are more likely to earn high profits during their summer experience.



**EXHIBIT 5.2: FRANCHISES VS. NON FRANCHISES LEARNING EXPERIENCE**

	FRANCHISE			
	Non-franchise		Franchise	
	NO.	%	NO.	%
<b>MAIN SKILL DEVELOPED</b>				
Time management	54	20.8%	38	44.7%
Customer relations	141	54.4%	63	74.1%
Marketing/sales	93	35.9%	36	42.4%
Accounting	109	42.1%	14	16.5%
Supervisory skills	73	28.2%	39	45.9%
Stress management	18	6.9%	11	12.9%
Problem solving/decision making	31	12.0%	14	16.5%
Other	39	15.1%	11	12.9%
Don't know	2	0.8%		
<b>TOTAL</b>	259	100%	85	100%
<b>MAIN THING LEARNED FROM EXPERIENCE</b>				
Self-confidence	90	36.0%	34	39.5%
Self-reliance	38	15.2%	15	17.4%
Like being own boss	49	19.6%	13	15.1%
Hard work pays off	15	6.0%	17	19.8%
Great job satisfaction/pride	102	40.8%	23	26.7%
Other	67	26.8%	20	23.3%
Don't know	11	4.4%	1	1.2%
<b>TOTAL</b>	250	100%	86	100%



However, given the higher default rates, an over-representation of franchises would not be good for the Student Venture program. Further, there are some risks for the students involved. In light of these factors the Ministry should continue with its policy of limiting the number of franchises of each type that are eligible to participate in the program; and its practice of holding seminars for potential applicants informing them of things to keep in mind when entering into a franchise agreement.



## **6.0 THE STUDENT VENTURE PROGRAM AND THE EDUCATION SYSTEM**

### **6.1 Relevance of Business Studies to the Student Venture Experience**

About one-third of the students involved in the Student Venture program had some training in business or entrepreneurship prior to their involvement. Exhibit 6.1 provides a breakdown of the nature of the training they had received and a rating of how well it prepared them for their venture.

In almost one half of the cases, previous training had come from business studies in college or university; and about 30 students had taken business courses in high school.

The vast majority felt their previous training had been helpful in preparing them for running their own business; only nine percent felt that it had been of no use at all.

When asked how their business curriculum could be changed to make it more relevant to their business experience, most students perceived the need for a greater degree of integration of the Student Venture program with their business curriculum. The breakdown of specific recommendations in this regard is shown in Exhibit 6.2. Twenty-seven percent recommended that the courses make better use of aspects of the Student Venture program as a part of applicable courses; an additional 29 percent felt the program should be better publicized in the business program; and 20 percent said that it would have been helpful to have an opportunity to meet someone who had participated in the program.

### **6.2 Opinions of Business Educators**

The study included telephone interviews with a selected sample of representatives of school boards and high schools to obtain their opinions of the Student Venture program, identify ways in which the program could reach more students, and suggest means through which it could be better integrated with the programs in entrepreneurship and business studies.



**EXHIBIT 6.1: PREVIOUS TRAINING/EDUCATION IN ENTREPRENEURSHIP**

	NO.	%
<b>ANY TRAINING/EDUCATION IN ENTREPRENEURSHIP PRIOR TO SV?</b>		
No	229	65.6%
Yes	120	34.4%
<b>TOTAL</b>	<b>349</b>	<b>100%</b>
<b>IF YES, WHAT THAT EDUCATION ENTAIL?</b>		
	57	47.5%
Business studies in High School	30	25.0%
4 - H	3	2.5%
Junior achievement	3	2.5%
Other	27	22.5%
<b>TOTAL</b>	<b>120</b>	<b>100%</b>
<b>HOW WELL DID IT PREPARE YOU FOR RUNNING YOUR SV BUSINESS?</b>		
1. Not at all	10	9.1%
2. Slightly	22	20.0%
3. Somewhat	37	33.6%
4. Very well	41	37.3%
<b>TOTAL</b>	<b>110</b>	<b>100%</b>



**EXHIBIT 6.2: CHANGES TO SCHOOL CURRICULUM  
RECOMMENDED BY SV STUDENTS**

	NO.	%
<b>RECOMMENDED CHANGES</b>		
Business courses related to SV program	89	27.1%
Visits from previous program participants	65	19.8%
Greater publicity of program in business courses	95	28.9%
SV seminars in education facility with suggestions for suitable types of ventures	25	7.6%
Other	26	7.9%
Don't know	105	31.9%
<b>TOTAL</b>	<b>329</b>	<b>100%</b>



## **Awareness of the Student Venture Program Among Educators**

Of a sample of 34 names, only 15 persons participated in a telephone interview. Ten were not available for an interview for reasons of illness, absence, or time constraints. The remainder did not feel they had sufficient knowledge of the Student Venture program to be able to provide meaningful comment. This gave a strong impression that the program needs to be marketed more effectively to teachers and school board officials within the school system. It should be noted, however, that all persons on the list provided had been the recipients of information about the Student Venture program.

Of those who were interviewed, 11 indicated that their district and/or school offered entrepreneurship studies. Five were teachers who said they used the Student Venture program as part of their entrepreneurship course; specifically, the Student Venture application was used as a study piece, e.g. an assignment or study guide to illustrate how to do a business plan. An additional five persons (usually in the capacity of guidance counsellor) said they had been active in encouraging staff and students to become involved with the Student Venture program. Three had been involved with the program as part of a committee, and two had not been directly involved with the program.

All persons interviewed thought that there was a need for the program among their students. The most common reasons given were:

- it provides an opportunity for students to get hands-on experience at putting business ideas into practice;
- in a tight labour market, it is a good alternative to a summer job;
- it opens their eyes to entrepreneurship as a career option; and
- there is no other program that addresses this need.



## **Marketing Student Venture in the Schools**

Six persons said that the Student Venture program had been marketed to the students through the entrepreneurship studies program. A number of persons had invited speakers, and one had shown the video. The greatest effect up to that point had been to raise awareness of the program among students. One person commented that students are interested but were hesitant to get involved with a bank loan; they would prefer to borrow from family and friends.

Several said the posters had been put up in the school, and flyers had been distributed. They could not assess the impact.

According to the interviewees' perceptions, the greatest weakness in the overall marketing scheme is that the information is not reaching the teachers and school board consultants who can influence the students. Information sent to principals and guidance counsellors does not necessarily make its way to the right people. They suggested that the Ministry develop a mailing list of directors and teachers of business and technical studies in particular schools as well as school board consultants, to whom information would be provided on a regular basis.

In fact, Student Venture management and staff have already developed such a list of contacts, to whom information is distributed regularly. The fact that the information is not perceived to be reaching the right people in the school system indicates the need for an improved public relations strategy.

## **Integration of Student Venture with Entrepreneurship Studies**

Virtually all persons thought that the Student Venture program was a good complement to an entrepreneurship studies program. The greatest barriers to integration to date have been:



- lack of awareness/understanding of Student Venture by teachers;
- student's lack of ability to come up with a suitable idea; and
- concerns about the school's liability.

On this latter point, one individual expressed a concern regarding the school's liability should they encourage students to borrow money, and the business fails.

All interviewees anticipated that there would be a significant increase in demand for the program as more schools implement entrepreneurial studies programs. Most could not predict how large that increase would be.

Suggestions for improving the level of integration between the two programs included:

- making the information available earlier in the school year;
- increased use of classroom presentations, particularly by students who had successfully participated in the program; and
- increased marketing of the program to teachers and school board consultants, perhaps through workshops at professional development days.



## **7.0 CHAMBER OF COMMERCE/ROYAL BANK REPRESENTATIVES' PERCEPTIONS OF THE STUDENT VENTURE PROGRAM**

The Student Venture program is co-sponsored by the Ontario Chamber of Commerce, local Chambers/Boards of Trade, and the Royal Bank of Canada. The partnership is deemed to be a good one by both the Ministry and the Chamber of Commerce/Royal Bank representatives. The arrangement has worked well in the past and should be continued. The sections below provide an overview of perceptions of representatives of Chambers of Commerce and branches of the Royal Bank regarding the Student Venture program, their current role in delivering the program, and things that might be done to enhance the effectiveness of their role in delivering the program.

### **7.1 The Current Role of Chambers of Commerce/Royal Bank Branches**

Applications may be obtained from the offices of the local Chambers of Commerce/Boards of Trade and branches of the Royal Bank. Once an applicant has completed an application, an interview is arranged with the Chamber/Board in the area within which the proposed business will operate. Should a Chamber/Board not be available in that location, an interview is arranged at the local Royal Bank branch.

The Chamber/Board representatives review the applications prior to the interviews. Some Chambers of Commerce use a committee process to complete the review process; others delegate the task to one member.

The student interview was considered by Chamber representatives to be an important part of the learning experience for the applicant. The student presents his/her business plan and responds to questions regarding its particulars. The interview may be conducted by a panel or an individual member. The interviewer(s) assess the potential viability of the proposed business and the business plan in light of local market conditions, and prepare a



recommendation to the Ministry. The application is forwarded to the Ministry for a final decision.

Most of the Chamber representatives estimated that their members spend about one hour per application to complete the above process. Most of this represents the time of members who are doing this on a volunteer basis; however some staff time is also involved. Cost estimates ranged from \$35 to \$100 per application.

Most representatives did not believe that there was a direct benefit to their organization from performing these services. However, the role they are performing fits well with their mandate of business promotion, and members derive a great deal of satisfaction from their involvement with the students.

Only one Chamber representative felt there should be any remuneration involved and, according to the Ontario Chamber of Commerce, among all the provincial participants, this is the only Chamber that feels this way.

Two persons commented that the Ministry's policy of accepting application returns by courier collect has greatly eased the burden of direct expense to the Chamber and wished to express their thanks.

### **Support from the Ministry**

Chamber/Board/Bank representatives were asked to assess the quality of the support they received from the Ministry to assist them in performing their role. The ratings varied as follows:

excellent:	1
good:	5
fair:	3
poor:	2



Five representatives commented that they had had very little contact from the Ministry over the past two to three years; their only contact had been in the form of written materials, e.g. the guidelines for approving franchises. One volunteer member reported that he got a box of applications two years ago, and they are gone now; he expected to receive more but has not to date. One Chamber director said that she had been in her position for 11 months, and had not been contacted by the Ministry.

However, the management and staff of the Student Venture program reported that information flows regularly to all Chambers of Commerce. The fact that individual members perceive a problem in this area may indicate a problem with the distribution system at the local level. It also points to a need for a revitalized public relations program and the need to strengthen program awareness at the local level.

It should be noted, however, that several of the representatives said they prefer an arms-length relationship, and they deemed the "lack of interference" from the Ministry a strength of the program.

Overall the general impression was that Chamber representatives would like more support from the Ministry to perform their duties. This impression was confirmed by the Ontario Chamber of Commerce representative who was interviewed. The Chambers would be willing to take a more active role in the Student Venture program, but in order to do so, they would require more support from MITT, largely in the form of program information. The specifics are discussed below.

## **7.2 Implications of an Increased Role for Program Chamber of Commerce/Royal Bank Representatives**

One of the frustrations expressed by Chamber/Board representatives about their current role in the program was the lack of feedback they get on the progress of students ventures



after the review is completed. Nine of the 11 representatives felt they could and would be willing to do more to support the students during the course of their Student Venture projects. Of these, seven expressed their willingness to become involved in a mentoring program, and four were willing to organize a marketing effort at the grassroots level.

### **Requests for More Information**

Most Chamber representatives told us that currently they receive a statistical report (in August) showing who was approved declined, or withdrew their application; and a year end wrap-up statistical report (in November-December) containing statistics on the program as a whole. (Some representatives said they had received nothing at all.)

Almost all Chamber/Board representatives expressed the view that they do not have sufficient access to the information they need to fulfil their role effectively. The following were suggestions made by significant numbers of the representatives regarding the information they would like to have access to:

- the status of applications of each student from their jurisdiction - on a monthly basis from April through June:
  - received at MITT
  - approved
  - declined
  - withdrawn;
- results of interim reports for each Student Venture project in their jurisdiction: revenues and expenses;
- final program statistics:
  - report of revenues and expenses for each Student Venture project;
  - statistical reports containing cross-tabulations of success/failure by business type, age, sex etc.; and
  - lists of students who defaulted.



In order for the Chamber of Commerce/Royal Bank representatives to have access to this information, the students would have to sign a release form. This could be added as an item on the application form.

It should be noted that, given the constraints in available staff resources, it would be difficult for the Ministry to respond to such a request. In addition, some of these items (e.g.: reports of revenues and expenses) are difficult to obtain at the present time. For these reasons, it would be more expedient for this information to be obtained on a one-to-one basis through a mentor/students connection.

### **Mentor Program**

Most Chambers felt their members would be receptive to participating in a mentor matching program. Each student, subsequent to the approval of his/her application would be matched with a member from the Chamber/Board. The mentor would volunteer to maintain regular contact with the student throughout the summer, and would be available to provide advice to the student whenever they request it.

This type of program should be implemented as a pilot project to test its feasibility.

Before it is implemented, the Chambers must be aware of the legal implications of such a relationship, and assured that neither the Chamber nor the individual member could be held liable for the potential failure of student ventures.

### **7.3 Chamber of Commerce/Royal Bank Representatives Recommendations for Changes to the Student Venture Program**

In the discussions with program representatives, they were asked to describe the things they felt were not working well in the Student Venture program, and to suggest improvements.



The following sections summarize the major recommendations that the majority of representatives made for changes to the Student Venture program.

### **Earlier Review of Applications**

Although the Ministry allows for applications to be approved any time after April 1, and despite the fact that application form urges students to submit their applications earlier than the June deadline, some students still wait until the last minute.

The Chamber of Commerce/Royal Bank representatives would like to see the review of Student Venture applications take place earlier in the year for two reasons:

- the students require as long a period as possible to run their businesses, and if they don't receive their loan until July, they have limited time in which to make a profit; and
- Chamber interviewing committees face a real crunch in May and June trying to get all the applications reviewed.

This year a larger proportion of applications were reviewed earlier because there was a race on for the franchise loans which were limited, and were available on a first-come-first-served basis. However, there was still a flurry of activity in the last month.

The Chamber representatives would like to see the applications for the Student Venture program year available to students as early as September of the preceding year. (This would also ensure their availability to be used as a teaching tool in entrepreneurship studies throughout the school year.) The deadlines would be changed to correspond more closely with the school year of particular institutions. For example, the deadline for receipt of applications from college and university students would be early April; high school students would have up to early June. The application review would take place between November



and April for the former, and would continue into May and June for the latter. No funds would be released until after April 1.

This recommendation echoes that of a substantial number of students surveyed, who felt the projects would benefit from earlier review, faster turnaround time for approvals, and a longer operating period.

### **Marketing**

Most of the representatives expressed the view that the program has been not well marketed. The perceived lack of effective marketing efforts at the local level was seen to be at least partially responsible for the declining numbers of Student Venture applications, which were deemed to be low relative to the size of the programs' potential user component.

Further, some of the most aggressive marketing at the local level has come from the franchises. This has led to a substantial number of student ventures in the areas of house painting and window washing. Both Chamber and Ministry representatives expressed the desire to see more projects of an innovative nature and more women participating in the program. A number of recommendations were made by Chamber of Commerce/Royal Bank representatives to improve the marketing of the Student Venture program. They are incorporated into the recommendations outlined in Section 8 of this report.

### **Franchises**

In general, the Chambers of Commerce were in wholehearted agreement with the limits that the Ministry put on franchises in 1991; they felt this practice should be continued. However there are some things that the franchises do that Chamber representatives viewed as troublesome, and that they would like to see addressed.



First, the first-time students in home improvement type ventures are often assigned to areas where the market has already been saturated by students who worked the same area in previous years. In these cases, the sales forecasts that are established are unrealistic; if quotas are established on the basis of these estimates, the student is virtually headed for failure.

Secondly, in the past, some franchises have recruited students on the understanding that the Student Venture loan is virtually a given. Prior to the establishment of limits, this practice was irritating; now it puts the students in a risky position as well.

In order to address these concerns, the co-sponsors recommended that the Ministry adopt a policies that:

- the franchiser be asked to sign a declaration with each franchise agreement, stating that they have seen the sales forecast and agree that it is realistic; and
- contracts must not be signed by prospective Student Venture participants prior to their acceptance into the program.

It should be noted that franchisers who were interviewed during the evaluation told the study team that they had already reached 80 percent of their targets for franchises for next year by the end of September this year. The limitations recommended above may render some of the less advantaged students unable to compete with those who do not need a loan. However, the Ministry may well decide it is worth the risk to protect the students.

Before adopting these recommendations, the Ministry should examine the legal implications of imposing restrictions of this kind on franchises.



#### **7.4 Chamber of Commerce/Royal Bank Representatives' Overall Opinions of the Program**

The overall assessment of the Student Venture program was positive by all representatives who were interviewed. The following quotes are typical of the nature of comments received:

"The program is well thought out, meets a real need, encourages young people to be self-sufficient, and is a good use of government funds."

"If they could run the government with the lack of red tape with which they run this program, we'd all be better off. The program administration is streamlined and efficient. The staff reductions haven't hurt it at all."



## **8.0 ISSUES AND RECOMMENDATIONS**

The results of the evaluation have shown the Student Venture program to be an effective vehicle for assisting students to develop entrepreneurial attitudes and learn management skills. It has been successful in promoting entrepreneurship and small business management as a viable career option to its participants. In view of its long term success in achieving these goals, we believe that the Student Venture program should be continued.

The following sections provide a summary of findings with regard to particular program delivery and design issues, and recommendations for addressing them in future program operations.

### **8.1 Program Delivery Issues**

#### **Decline in Program Applications**

##### **Issue**

Despite the apparent benefits to participants, the number of applications to the Student Venture program have declined over the past three years. This was identified by the Ministry as a matter of concern. Persons associated with the program attributed the decline to a combination of external and internal factors. Externally, the decrease reflects the overall reduction in the population of youth aged 15-24 in Ontario combined with the effects of the current economic recession. Internally, cost-cutting measures implemented by the Ministry led to decisions to cut back on the number of on-site visits by Ministry staff and cease print advertising (e.g. transit ads). This has exacerbated the decline. In addition, in the 1991 fiscal year, a new policy was implemented which restricted the number of overall applications from franchises of each approved type that would be accepted. This policy has had a noticeable affect on the overall numbers for the current fiscal year.



A related issue concerns the effectiveness of the current public relations program. Despite extensive distribution of program materials to Chambers of Commerce and key representatives within the education system throughout the province, the information does not appear to be reaching sufficient numbers of either students or those within the system who can encourage them to participate in the program.

Given the current economic climate and the volume of work and other distractions in Chambers of Commerce and the education system, a higher level of marketing effort will be required to encourage participation by larger numbers of students.

### Recommendation

In order to increase application rates, it is recommended that the Ministry:

- allocate more resources to marketing the Student Venture program; and
- offer the program on a year-round basis, on a semester system as an alternative to the summer months, and should examine the feasibility of offering Student Venture as an alternative to co-op placement.

As part of the public relations strategy, efforts should be directed towards:

- developing a public relations strategy to raise the profile of the program; e.g. revitalization of current materials; production of a new video particular to Student Venture; a bursary program offering a scholarship to the most successful Student Venture student; increased use of advertising at the local level, e.g. transit ads, school and community media, etc.
- developing a network of local resources such as Self-Help Centres, school boards, Centres of Entrepreneurship, and student business clubs to assume responsibility for promoting the program, and ensuring the materials reach students and front-line teachers; and



- wider publication of "success stories" and greater involvement of past participants in promoting the program to potential applicants.

## **Allocation of Staff Resources**

### Issue

The Student Venture program has undergone a substantial amount of streamlining in recent years. At this point, the remaining staff are overworked during peak periods, and both approval turnaround times and the program marketing effort have suffered somewhat from the staff reductions. Staff cannot be reallocated (e.g. to marketing and public relations initiatives) or further reduced without decreasing program activity or reducing the amount of monitoring and control the staff now exercises over application approval and project monitoring.

### Discussion

In recognition of these constraints, if the Ministry is not prepared to add resources to support the need for increased marketing effort, it may wish to consider reallocating resources currently expended in the review and approval of program applications. It should be noted, however, that there is a risk of potential abuse and embarrassment associated with relinquishing the current amount of control over project approvals currently exercised by the program.

### Recommendation

Explore the implications and potential savings to be derived from:

- transferring responsibility for completing the rating form to Chamber of Commerce representatives; and
- the Ministry reviewing only a sample of Student Venture applications.



## **Earlier Application Review and Approval**

The Chambers of Commerce are hard pressed to complete application reviews during the last minute crunch that occurs in May and June; and student ventures would benefit from a longer operating time to enhance the profitability of their businesses.

### **Recommendation**

The Ministry should:

- adopt measures to shift the application review and approval process ahead as early as possible by distributing applications and information packages by November and establishing an April deadline for applications from university and college students. The June deadline would remain for applications from high school students.

## **8.2 Program Design Issues**

### **Need for Mentoring at the Local Level**

In operating their ventures, students frequently encounter obstacles that they don't know how to deal with, but they are reluctant to contact the Ministry for help. The students surveyed identified (as an unsolicited response) the need for a local mentor: someone from the business community who would maintain contact and provide advice to the student throughout the venture. Chamber of Commerce representatives also identified such a need.

### **Recommendation**

The Chambers are willing to operate such a program through their members, given that they could not be held liable for business failures. The Ministry should:



- examine the legal implications of such a relationship, and take steps to protect those in the mentor role; and
- implement a pilot project to test the feasibility and effectiveness of operating a mentoring program through the Chambers of Commerce.

## The Interest-free Feature

### Issue

Student Venture loans are interest-free for the period April 1 to September 30. During this period the Ministry covers the interest on the loan.

Since a sizeable portion of the cost per venture is the interest on the loan paid by the Ministry on behalf of the student, the question was raised as to whether the cost of the program could be saved through eliminating this feature.

### Discussion

The overwhelming majority of program co-sponsors and Ministry representatives thought that the interest free feature was critical to program success. Implications of eliminating this feature include:

- a likely reduction in the number of applications: First-time applicants are very anxious about the risks of getting involved in a business venture, especially in tough economic times. The interest free feature reduces this risk, and serves as an incentive to encourage students to get involved with the program;
- increased administrative costs: A representative of the Royal Bank assured the study team that the cost of calculating and collecting the amount of interest due on such small short-term loans would well exceed the amount in interest that could be collected.



## Recommendation

It is recommended that:

- the program continue to offer the loan on an interest-free basis.

## **The Maximum Loan Amount**

### Issue

Two-thirds of borrowers access other sources of financing to support their student venture; therefore consideration was given as to whether \$3000 was sufficient as the maximum loan amount.

### Discussion

Based on past program statistics, increasing the loan amount would increase both the program costs and the default rate.

Further the survey results showed that most students are able to access other sources of financing if necessary; and only 12 percent of borrowers thought that the maximum should be increased.

Three of the Chamber representatives suggested that there might be a discretionary amount available that the Ministry could add to the loan if the Chamber deemed the applicant had an exceptional case. However, there does not seem to be a great need for this, and in all likelihood it would be more trouble than it was worth.

### Recommendation

- The maximum loan amount should be maintained at \$3000.



## **Franchises**

Franchises are a legitimate form of business, and in many cases, they yielded higher overall revenues and profit margins, and employed more people than did non-franchise ventures. However, there is a great deal of concern about potential exploitation of students by franchisers, in the form of aggressive marketing, high franchise fees, and unrealistic sales quotas.

### **Recommendation**

The Ministry should continue with its current policy of:

- setting limits on the total number of franchises of approved types; and
- offering on-campus information seminars that identify some potential pitfalls of franchise agreements.

The Chambers of Commerce have made a number of additional recommendations for further policies to be implemented with regard to franchises (see Section 7.3). The legal implications of these recommendations should be examined before they are acted upon at the Ministry level.

## **Agricultural Ventures**

### **Issue**

There is a concern that many agricultural ventures are not sufficiently independent of students' parents. Livestock ventures are particularly suspect, since the student must necessarily depend upon farm resources in order to operate their venture. There is also a question of how much repeat borrowers can learn about business through raising livestock more than two or three years in a row.



## Discussion

The results of the survey showed agricultural ventures to be better than average in terms of repaying the Student Venture loan; and participants in these businesses rated the skills they gained and the learning experience as highly as did those in other types of businesses.

The majority of program co-sponsors who had experience with agricultural ventures were quick to point out that agriculture is a unique business, and although the type of entrepreneurial skills involved cannot be compared with other types of ventures, they are equally valid in their own right.

Further, agriculture is an area where it is becoming increasingly important to learn how to deal with the complexities of government programs. The Student Venture program gives prospective farmers their first exposure.

A representative from a 4-H feedlot club said the Student Venture program had been a great help in providing youth with the opportunity and incentive to gain hands-on learning of the factors involved in agri-business. The involvement of Student Venture students in 4-H clubs greatly enhances the learning experience and ensures greater independence on the part of students. Some of these students have been able to improve their parents' farming techniques by passing on things they have learned through 4-H.

## Recommendations

In light of the factors outlined above, agricultural ventures should remain eligible for Student Venture loans. However:

- applications should be carefully screened for independence by Chamber of Commerce/Royal Bank screening committees;



- those applicants who are involved with a 4-H club should be favoured over those who are not; and
- The Ministry should examine the feasibility of involving the Ontario Ministry of Agriculture and Food (OMAF) in a partnership arrangement to deal with agricultural ventures and ensure that learning takes place.

### **Eligibility of Repeat Borrowers**

A growing proportion of program participants are repeat borrowers; currently they comprise about one-quarter of Student Venture participants. There is concern that repeaters may reduce opportunities for new applicants to participate in the program.

### Recommendation

- If program demand increases dramatically, franchises and agricultural ventures should be limited to a maximum of three years for the same business (e.g. painting, livestock, etc.).

### **Year Round Operations**

#### Issue

With the growing popularity of student co-op programs, more students are working at co-op placements during the school year, and taking courses during the summer. This raises the question of whether the Student Venture program should continue to be restricted to the summer only, or should be eligible to co-op students during other semesters.

#### Discussion

In terms of simply offering the program on a year-round basis, there was universal enthusiasm for the idea. Program co-sponsors are willing to review applications at other



times of the year, and extending the program in this way may serve to increase the numbers of applicants.

The evaluation also examined a variation on this theme - the idea of co-op students using the Student Venture experience as an alternative to a job placement for course credit.

A surprising number of representatives from the educational system favoured the idea. Of the fifteen interviewed, only two had any objections. One felt it violated the idea of what the co-op program was all about; the other agreed in principle, but was doubtful that the administrative arrangements could be worked out.

### Recommendation

The Ministry should:

- give serious consideration to extending the program to students to semesters beyond the summer months, provided that safeguards can be put in place to ensure that the applicants are full time students, and will be returning to school immediately following their student venture; and
- further examine the feasibility of offering the Student Venture program as an alternative job placement for credit in co-op programs.

### **Credit Rating for Student Venture Borrowers**

A number of successful borrowers said they were dismayed to discover that their Student Venture loan had not established a credit rating for them, and recommended that the program be changed in this regard. The largest obstacle is expense; it costs about \$25 in administrative fees to register loan results with the credit bureau.



## Recommendation

- A letter could be sent to successful borrowers after they have repaid the loan, advising them that, if they wish to pay the administration fee, they can have their credit history registered.



## **9.0 SUMMARY OF PROGRAM IMPACTS**

### **Experience Gained**

The vast majority of clients of the Student Venture program found the experience they gained through their involvement with the program to be invaluable; all but two persons interviewed would recommend the program to a friend wanting to start a business.

Both the participants and the franchisers that were involved with them reported that they had acquired self-confidence, a great sense of accomplishment, and self-reliance as a result of their Student Venture experience. Students reported having learned a range of business skills including customer relations, accounting, supervisory skills and time management, organizational skills, money management, interpersonal skills, and business planning.

### **Revenues and Profits Generated**

Based on estimates provided by the students, the average student venture earns \$27,000 in revenue, and nets \$5600 in profit over its summer operation.

### **Jobs Created**

In terms of job creation, on the basis of survey results, each business created an average of 3.28 full-time positions plus 1.24 part-time positions (owner/operator included) over its summer operation.

### **Impact on Career Choices**

Among the whole group of participants, 68 percent felt that their involvement with Student Venture had made them more likely to start a business. Of those who participated in the



program prior to 1991, 38 percent have gone into business for themselves; and despite the recession, 96 of these businesses (81 percent) are still going concerns.



## **10.0 SUMMARY OF RECOMMENDATIONS**

1. In order to increase application rates, it is recommended that the Ministry:

- allocate more resources to marketing the Student Venture program; and
- offer the program on a year-round basis, on a semester system as an alternative to the summer months, and ✓ should examine the feasibility of offering Student Venture as an alternative to co-op placement.

2. As part of the public relations strategy, efforts should be directed towards:

- developing a public relations strategy to raise the profile of the program; e.g. revitalization of current materials; a bursary program offering a scholarship to the most successful Student Venture student; increased use of advertising at the local level, e.g. transit ads, school and community media, etc.
- developing a network of local resources such as Self-Help Centres, school boards, Centres of Entrepreneurship, and student business clubs to assume responsibility for promoting the program, and ensuring the materials reach students and front-line teachers; and
- wider publication of "success stories" and greater involvement of past participants in promoting the program to potential applicants.

3. With regard to allocation of staff resources, the Ministry should explore the implications and potential savings to be derived from:

- transferring responsibility for completing the rating form to Chamber of Commerce representatives; and



- the Ministry reviewing only a sample of Student Venture applications.
4. In order to extend the operating time of student ventures, the Ministry should:
- adopt measures to shift the application review and approval process ahead as early as possible by distributing applications and information packages by November and establishing an April deadline for applications from university and college students.
5. With regard to offering a mentoring feature at the local level, the Ministry should:
- examine the legal implications of such a relationship, and take steps to protect those in the mentor role; and
  - implement a pilot project to test the feasibility and effectiveness of operating a mentoring program through the Chambers of Commerce.
6. The Ministry should continue to offer the Student Venture loan on an interest-free basis.
7. The maximum loan amount should be maintained at \$3000.
8. With regard to franchises the Ministry should continue with its current policy of:
- setting limits on the total number of franchises of approved types;
  - offering on-campus information seminars that identify some potential pitfalls of franchise agreements; and
  - examine the legal implications of imposing further restrictions on franchise ventures.



9. Agricultural ventures should remain eligible for Student Venture loans. However:

- applications should be carefully screened by Chamber/Bank representatives for independence;
- those applicants who are involved with a 4-H club should be favoured over those who are not; and
- The Ministry should examine the feasibility of involving the Ontario Ministry of Agriculture and Food (OMAF) in a partnership arrangement to deal with agricultural ventures.

10. With regard to repeat borrowers:

- if program demand increases dramatically, franchises and agricultural venture should be limited to a maximum of three years for the same business (e.g. painting, livestock, etc.).

11. In order to facilitate the establishment of a credit rating for student venture borrowers it is recommended that:

- a letter be sent to successful borrowers after they have repaid the loan, advising them that, if they wish to pay the administration fee, they can have their credit history registered.



## **APPENDIX A**

### **LIST OF INTERVIEWEES**



## **1. CHAMBERS OF COMMERCE/BOARDS OF TRADE REPRESENTATIVES**

### **Ontario**

Ms. Elaine Rehor  
Assistant General Manager  
Ontario Chamber of Commerce

### **Toronto Region**

Mr. Marius DeBruynne  
Member  
Oakville Chamber of Commerce

Ms. Muriel Richards  
Coordinator, Business and Education  
Metro Toronto Board of Trade

Mr. David Millgram  
Member  
Metro Toronto Board of Trade

Mr. David Patriarche  
Assistant Director  
North York Chamber of Commerce

### **Central Region**

Ms. Cathy Drewitt  
Director  
Hamilton Chamber of Commerce

Mr. George Stewart  
General Manager  
The London Community Small Business Centre

Ms. Diana Van Winden  
Business Counsellor  
The London Community Small Business Centre

Ms. Bonnie Spencer-Bear  
Area Coordinator  
The Arthritis Society of Ontario  
London



**Mr. Robert Smith**  
Member  
St. Catharines District Chamber of Commerce

**Mr. Jack Middlemass**  
General Manager  
Kitchener Chamber of Commerce

### **Eastern Region**

**Ms. Darlene Cullimore**  
Director  
Eastern Ontario Centre of Entrepreneurship  
Kingston

**Mr. Bill Cowan**  
Consultant,  
Eastern Ontario Centre of Entrepreneurship  
Kingston

**Mr. Clay Spero**  
Assistant Manager  
Personal banking  
Royal Bank of Canada  
Ottawa

### **Northeastern Region**

**Barry Spilchuk**  
President  
North Bay Chamber of Commerce

**Mr. Victor Fedeli**  
Member  
North Bay Chamber of Commerce

### **Northwestern Region**

**Ms. Rebecca Johnstone**  
Executive Director  
Thunder Bay Chamber of Commerce

**Mr. Doug Vanderwey**  
Member  
Thunder Bay Chamber of Commerce



## **2. FRANCHISERS**

Mr. Helmut Bieman  
President  
Student Painters  
Woodbridge

Mr. Paul Hayman  
Vice President  
College Pro Painters  
London

## **3. 4-H CLUBS**

Mr. Brent Cavell  
Leader  
Wellington County 4-H Feedlot Club  
Guelph

## **4. MINISTRY OF INDUSTY TRADE AND TECHNOLOGY**

Mr. Peter Friedman  
Director  
Small Business Ontario

Mr. George More  
Manager, Business Development  
Small Business Ontario

Lynne Allen  
Acting Coordinator  
Entrepreneurship Education  
Small Business Ontario

Patricia Hamilton  
Coordinator  
Youth Start-up Capital  
Small Business Ontario

Narvin Singh  
Supervisor  
Youth Start-up Capital  
Small Business Ontario



Mary Bissola/Lori Brown  
Business Consultants  
Youth Start-up Capital  
Small Business Ontario

## **5. MINISTRY OF EDUCATION**

Sante Mauti  
Manager, Service Development and Support  
Youth Employment Services Branch

Sue Forrester  
Manager service Delivery  
Youth Employment Services Branch

## **6. TEACHERS AND SCHOOL BOARD REPRESENTATIVES**

Mr Ted Grimwood  
Niagra District Secondary School

Mr Brian Childs  
York Region Board of Education

Mr Jerry Brown  
Almonte Dist Collegiate

Ms Jill Chamberlain  
Bayridge Sec School

Mr. Ed Smilanetz  
Korah Collegiate

Mr. Terry Murphy  
Frontenac Secondary School

Ms. Lori Cranson  
David & Mary Thompson Collegiate

Ms. Margaret Daniel  
Scarborough Board of Education

Mr. John Gardiner  
Etobicoke Board Of Education



**Mr. Toi Schonberg**  
Ottawa Board Of Education

**Mr. Michael Nugent**  
Secondary Programme Dept.  
Carleton Roman Catholic School Board

**Mr. Wayne Sigen**  
Education Consultant  
Scarborough Board of Education

**Mr. Ron Himmelman**  
East York Collegiate

**Mr. R. Barnstaple**  
Elmsvale District High School

**Mr. Tony Borysek**  
Banting Memorial High School



## **APPENDIX B**

### **STUDENT VENTURE STATISTICAL SUMMARY 1987-1990**



## STUDENT VENTURE STATISTICAL SUMMARY

13-May-91

	1990		1989		1988		1987	
	#	%	#	%	#	%	#	%

## H) Distribution by Geographic Region

Central	235	27.14%	250	26.51%	492	41.17%	430	39.06%
East	143	16.51%	164	17.39%	156	13.05%	152	13.81%
Northeast	65	7.51%	64	6.79%	67	5.61%	58	5.27%
Northwest	0	0.00%	0	0.00%	14	1.17%	22	2.00%
Southwest	235	27.14%	227	24.07%	320	26.78%	259	23.52%
Toronto	188	21.71%	238	25.24%	146	12.22%	180	16.35%
Total	866		943		1195		1101	

## I) Participation by Chambers/Royal Bank

Chambers/Boards	793	91.57%	873	92.58%	1076	89.97%	1007	91.38%
Bank Branches	73	8.43%	70	7.42%	120	10.03%	95	8.62%
Total	866		943		1196		1102	

## J) Distribution by Franchise

Franchise	272	31.41%	282	29.90%	380	31.80%	N/A	N/A
Non-franchise	594	68.59%	661	70.10%	815	68.20%	N/A	N/A
Total	866		943		1195			

## K) Distribution by Colleges and Universities

## Universities

Brock	19	1.93%	12	1.06%	38	2.69%	38	2.94%
Carleton	39	3.96%	45	3.98%	47	3.33%	52	4.02%
Guelph	55	5.59%	47	4.15%	62	4.39%	47	3.63%
Lakehead	2	0.20%	4	0.35%	6	0.42%	17	1.31%
Laurentian	11	1.12%	0	0.00%	12	0.85%	10	0.77%
McMaster	34	3.46%	44	3.89%	38	2.69%	47	3.63%
Ottawa	21	2.13%	17	1.50%	33	2.34%	37	2.86%
Queen's	53	5.39%	63	5.57%	63	4.46%	58	4.49%
Ryerson	10	1.02%	20	1.77%	31	2.20%	34	2.63%
Trent	6	0.61%	14	1.24%	13	0.92%	24	1.86%
Toronto	42	4.27%	51	4.51%	68	4.82%	74	5.72%
Western Ontario	197	20.02%	204	18.02%	246	17.42%	177	13.69%
Waterloo	17	1.73%	28	2.47%	36	2.55%	30	2.32%
Wilfred Laurier	45	4.57%	29	2.56%	53	3.75%	53	4.10%
Windsor	30	3.05%	20	1.77%	19	1.35%	25	1.93%
York	21	2.13%	38	3.36%	48	3.40%	45	3.48%
Out of Province	17	1.73%	19	1.68%	22	1.56%	0	0.00%
Other	10	1.02%	21	1.86%	12	0.85%	18	1.39%
Total	629		676		847		786	

## Community Colleges

Algonquin	4	0.41%	9	0.80%	7	0.50%	7	0.54%
Cambrian	2	0.20%	0	0.00%	3	0.21%	6	0.46%
Canadore	4	0.41%	2	0.18%	5	0.35%	5	0.39%
Centennial	6	0.61%	8	0.71%	3	0.21%	5	0.39%
Conestoga	8	0.81%	2	0.18%	6	0.42%	5	0.39%
Confederation	0	0.00%	0	0.00%	3	0.21%	4	0.31%



## STUDENT VENTURE STATISTICAL SUMMARY

13-May-91

	1990		1989		1988		1987	
	#	%	#	%	#	%	#	%

## A) Loan Status

Approved	866	92.52%	943	89.13%	1195	90.46%	1101	87.04%
Cancelled	18	1.92%	36	3.40%	39	2.95%	N/A	0.00%
Declined	34	3.63%	44	4.16%	58	4.39%	N/A	0.00%
Not Negotiated	18	1.92%	35	3.31%	29	2.20%	N/A	0.00%
Total Applications Received	936		1058		1321		1265	

## B) Distribution by Sex

Male	837	85.06%	976	86.22%	1216	86.12%	1086	83.99%
Female	147	14.94%	156	13.78%	196	13.88%	207	16.01%
Total Participants	984		1132		1412		1293	

## C) Distribution by Education

Secondary School	281	28.56%	318	28.09%	425	30.10%	366	28.31%
Community College	74	7.52%	138	12.19%	140	9.92%	141	10.90%
University	629	63.92%	676	59.72%	847	59.99%	786	60.79%
Total	984		1132		1412		1293	

## D) Distribution by Age

15-19	411	41.77%	448	39.65%	592	41.93%	499	38.59%
20-24	544	55.28%	638	56.46%	753	53.33%	708	54.76%
25-29	21	2.13%	27	2.39%	43	3.05%	70	5.41%
30+	8	0.81%	17	1.50%	24	1.70%	16	1.24%
Total	984		1130		1412		1293	

## E) Distribution by New/Repeat Participation

New	729	74.09%	882	77.92%	1138	80.59%	1050	81.21%
Repeat	255	25.91%	250	22.08%	274	19.41%	243	18.79%
Total	984		1132		1412		1293	

## F) Distribution by Language

English	862	87.60%	1003	88.60%	1365	96.67%	N/A	N/A
French	68	6.91%	68	6.01%	25	1.77%	N/A	N/A
Other	54	5.49%	61	5.39%	22	1.56%	N/A	N/A
Total	984		1132		1412			

## G) Distribution by Business Type

Agriculture	163	18.82%	159	16.86%	236	19.75%	194	17.62%
Retail	63	7.27%	72	7.64%	122	10.21%	160	14.53%
Service	630	72.75%	693	73.49%	818	68.45%	688	62.49%
Manufacturing	10	1.15%	19	2.01%	19	1.59%	59	5.36%
Total	866		943		1195		1101	









